Workplace Safety and
Insurance Board of Ontario

Annual Report 2014

COMPENSATION PROVIDES SECURITY TO THOUSANDS

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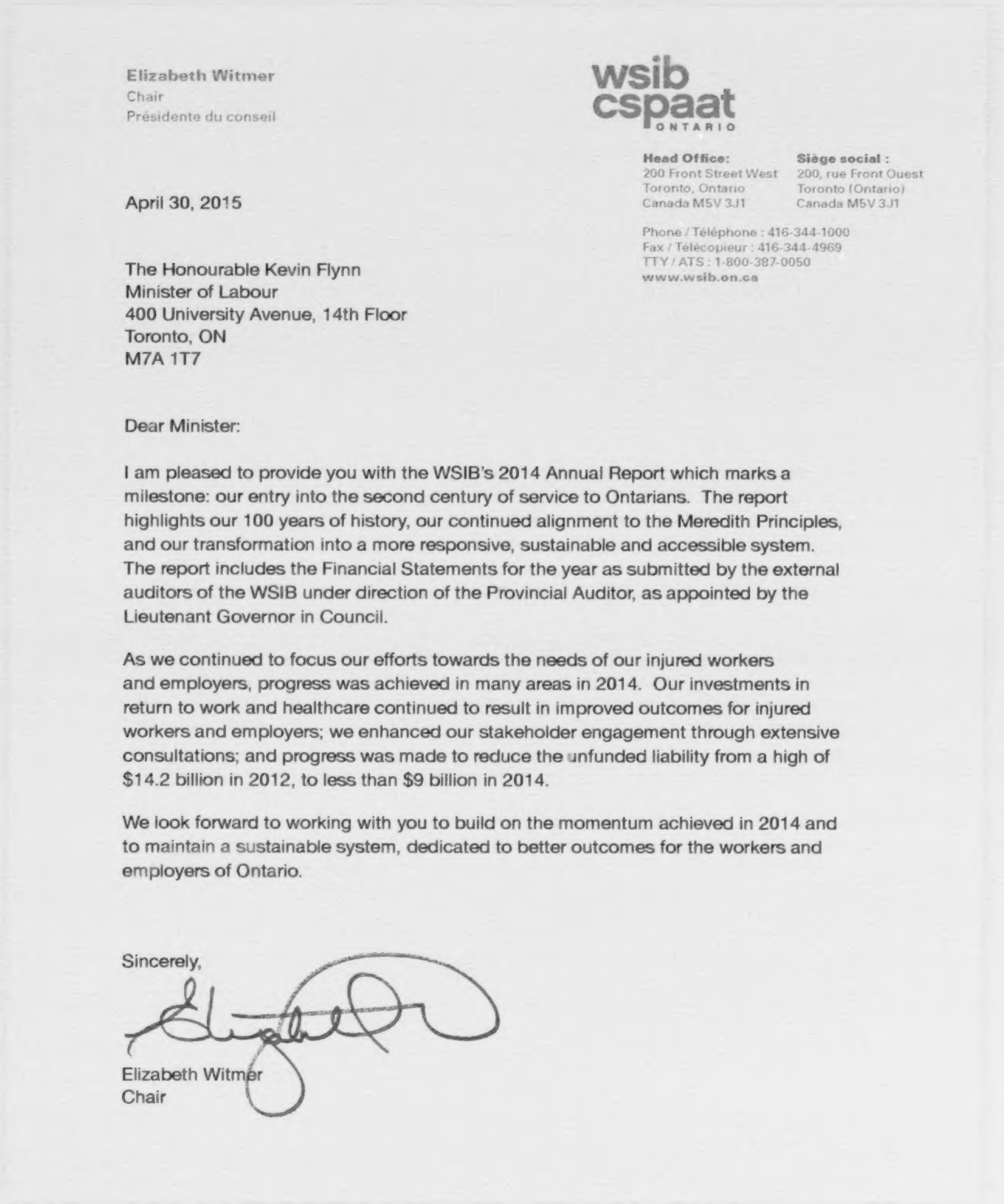

Elizabeth Witmer
Chair
Présidente du conseil

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April 30, 2015

The Honourable Kevin Flynn
Minister of Labour
400 University Avenue, 14th Floor
Toronto, ON
M7A 1T7

Dear Minister:

I am pleased to provide you with the WSIB's 2014 Annual Report which marks a milestone: our entry into the second century of service to Ontarians. The report highlights our 100 years of history, our continued alignment to the Meredith Principles, and our transformation into a more responsive, sustainable and accessible system. The report includes the Financial Statements for the year as submitted by the external auditors of the WSIB under direction of the Provincial Auditor, as appointed by the Lieutenant Governor in Council.

As we continued to focus our efforts towards the needs of our injured workers and employers, progress was achieved in many areas in 2014. Our investments in return to work and healthcare continued to result in improved outcomes for injured workers and employers; we enhanced our stakeholder engagement through extensive consultations; and progress was made to reduce the unfunded liability from a high of $14.2 billion in 2012, to less than $9 billion in 2014.

We look forward to working with you to build on the momentum achieved in 2014 and to maintain a sustainable system, dedicated to better outcomes for the workers and employers of Ontario.

Sincerely,

Elizabeth Witmer
Chair

Workplace Safety and
Insurance Board of Ontario

Annual Report 2014

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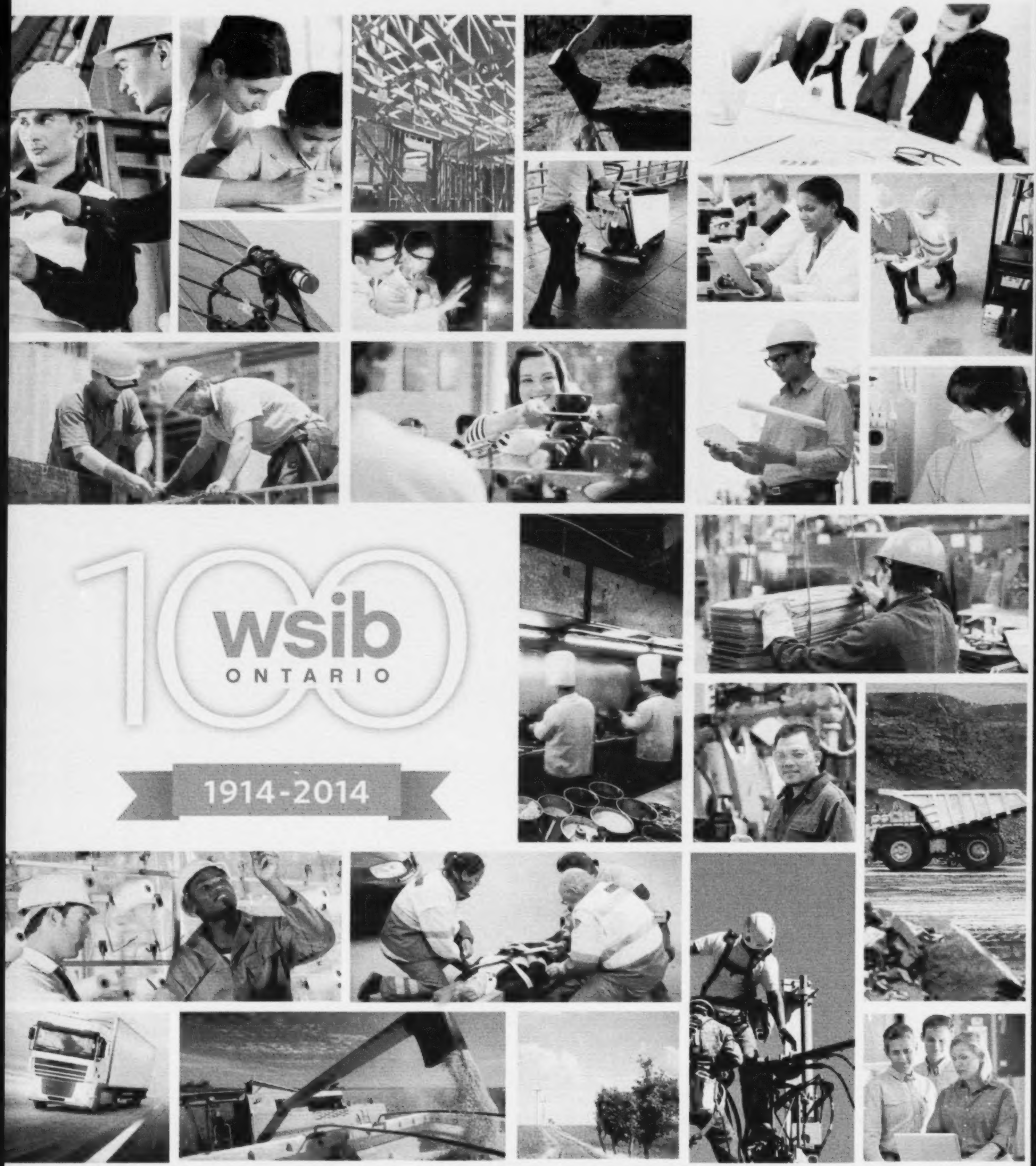
NOTE: Certain financial data referenced in this document have been restated owing to a systems error relating to the allocation of accrued premium receivables for reporting years 2013 and 2014. For further information, please visit www.wsib.on.ca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Chair's Message

Elizabeth Witmer, Chair

I am pleased to submit the 2014 Annual Report of the Workplace Safety and Insurance Board. The year marked the WSIB's entry into its second century of service to our province and its people – and we're crossing that threshold with better outcomes for injured workers and employers. This has instilled a sense of achievement among our employees, stakeholders and partners. That's because the WSIB is changing – becoming a sustainable, transparent and accountable system that is more responsive to workers and employers alike.

Better results for injured workers and employers

At the heart of our efforts are innovations aimed to help injured workers safely return to their jobs as quickly as possible, coupled with faster access to quality medical care. I'm pleased to report that these new investments garnered encouraging results in 2014. Since, 92 per cent of workers returned to work with no wage loss, and 80 per cent of injured workers in our Work Transition Program successfully found employment. As a result, Ontario is now a leading jurisdiction in recovery and return-to-work outcomes.

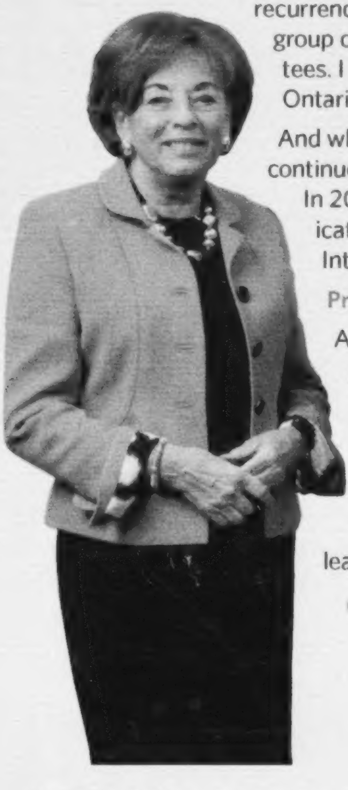
Stronger governance

Our changes are being driven by a competency-based Board of Directors whose members have skills in actuarial, strategy, health and safety, medical, financial management and technology fields. At the same time, in 2014 we undertook a comprehensive review to ensure that our corporate governance meets best practices. We benchmarked ourselves against other compensation systems, government agencies and private insurance organizations, resulting in a strengthened corporate governance policy and Board of Directors committee mandates.

We also developed a new Enterprise Risk Management (ERM) program to promote a more risk-aware culture, and to integrate risk-based practices into our business. The ERM implementation strategy will deliver reporting, monitoring and management of key enterprise risks, in addition to integrating risk management into the 2015 business planning cycle.

Greater engagement with stakeholders

Throughout 2014 we stepped up our stakeholder consultations to unprecedented levels. During the year we released new or revised benefit policies for pre-existing conditions, permanent impairments, recurrence, aggravation basis and work disruption. These followed extensive stakeholder group consultation and feedback through venues such as our Chair's Advisory Committees. I also continued to travel to meet with staff, workers and employers throughout Ontario to obtain their feedback about the WSIB.

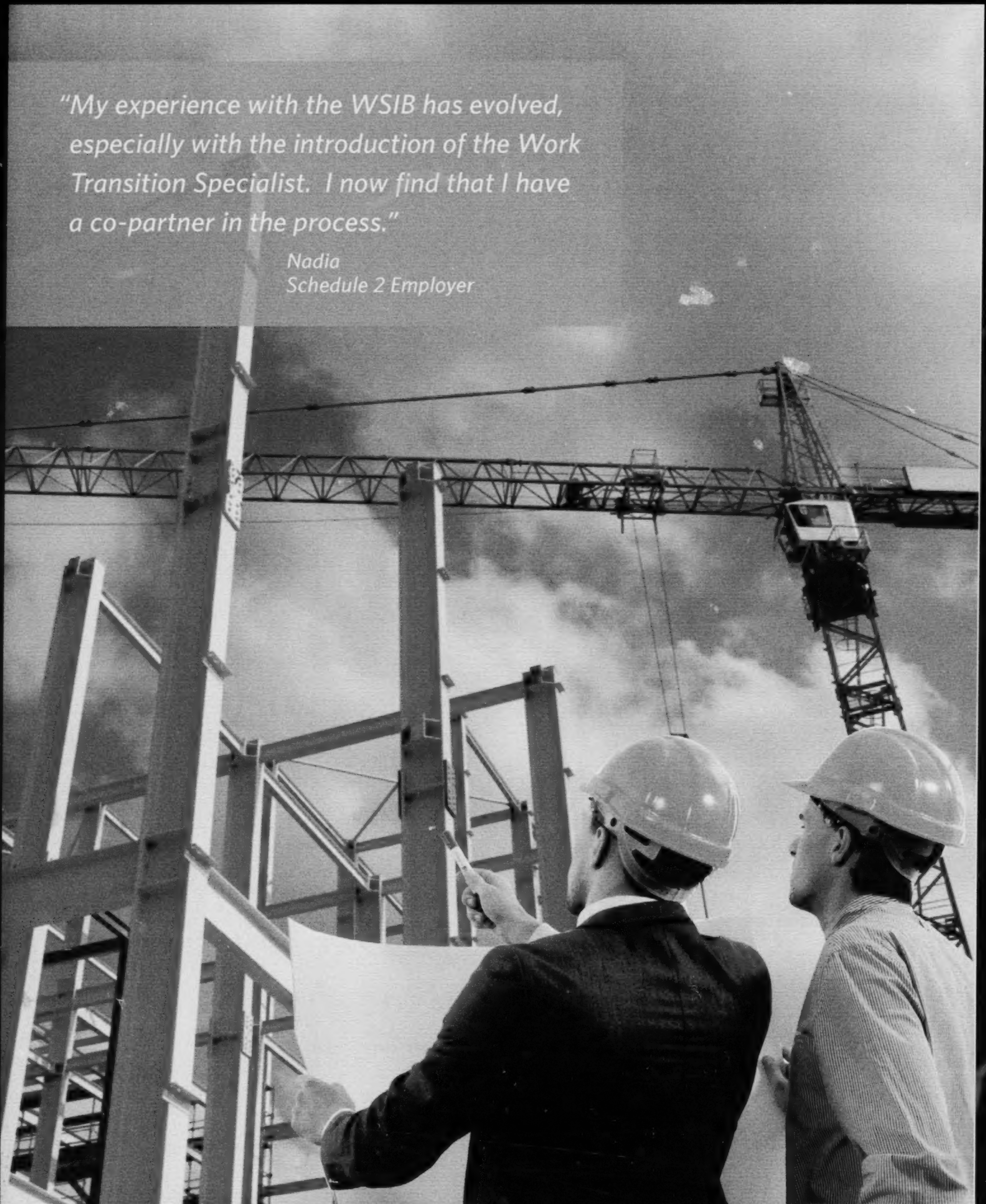


And while the mandate for prevention shifted to the Ministry of Labour, the WSIB continues to play a substantial role in supporting the Ontario Health and Safety System. In 2014, we continued our participation on the Prevention Council and remain dedicated to our partnership with the Chief Prevention Officer in support of Ontario's Integrated Health and Safety Strategy.

Prevention remains the key

Although much progress has been made toward safer workplaces, our ultimate goal is to prevent workplace accidents from happening in the first place. That's why my personal priority is to focus on prevention, since even one workplace injury, illness or fatality is one too many.

In conclusion, I extend my sincere appreciation to our dedicated employees and stakeholders. With your continued support and advice, I remain confident that we will have among the safest workplaces anywhere and become the leading compensation board in North America.



"My experience with the WSIB has evolved, especially with the introduction of the Work Transition Specialist. I now find that I have a co-partner in the process."

Nadia
Schedule 2 Employer

Transformation Story

The objectives of the WSIB's 2012 – 2016 Strategic Plan are nearly accomplished. Our actions have led to enhancements in the quality of services for workers and employers, and the improved sustainability of the system.

Over the past year, we continued our transformation momentum, further enhancing our recovery and return to work programs and reaching major milestones towards replacing our accounts and claims legacy systems. But our transformation is about more than that; it's about meeting our commitments to build a responsive, sustainable and accessible system.

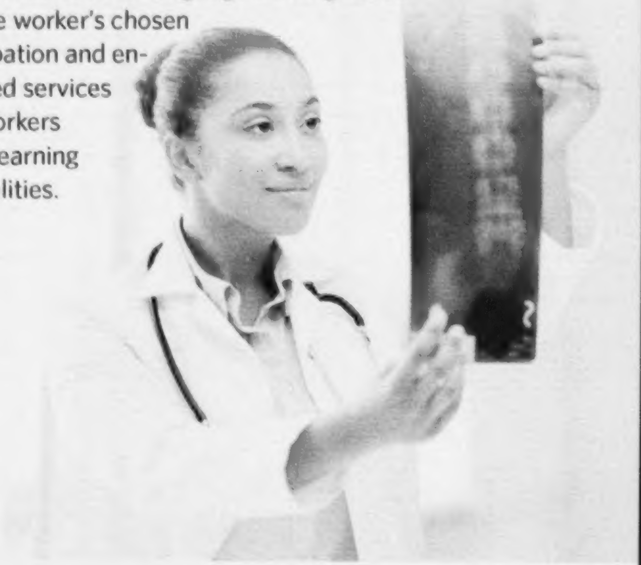
Our programs, consistent with our "Better at Work" philosophy, make staying at work or returning to work an integral component of rehabilitation.

Committed to effective recovery and return to work

Our investment in return to work and health-care continues to improve outcomes for injured workers and employers. This year, we expanded the specialized clinic programs and continued to take an integrated approach to recovery and return to work through early, expert intervention. Building on the success of our Programs of Care, we launched the Musculoskeletal Program of Care, and trialed the Case Management Program for Shoulder Injuries. The programs, consistent with our "Better at Work" philosophy, make staying at work or returning to work an integral component of rehabilitation.

These programs are examples of what we can accomplish in collaboration with Ontario's health care system. The investments have paid off with better outcomes; workers are getting back to work sooner and fewer are suffering permanent impairments.

Some injuries unfortunately result in permanent impairments and prevent workers from returning to their jobs. For those workers, we provide services to help them re-enter the workforce with new skills. In late 2010, the WSIB launched a new program employing best practices such as maintaining the employment relationship with the injury employer, and giving workers meaningful input and choices in career and retraining options. Since the launch, we have enhanced the program. We added English-as-second-language training based on the worker's chosen occupation and enhanced services for workers with learning disabilities.



This year, 92 per cent of injured workers returned to work within 12 months with no wage loss. And, 80 per cent of injured workers who completed their plans successfully secured employment. Ontario now has some of the best recovery and return-to-work rates in Canada.

Making it easy to work with us

Providing effective and convenient access for our workers, employers and service providers is a priority at the WSIB.

Providing effective and convenient access for our workers, employers and service providers is a priority at the WSIB. We have introduced a series of new and improved channels for our workers and employers to interact with us, and enhanced access through an incremental rollout of automated, web-enabled eServices.

Our efforts to modernize services are having an impact as per our quarterly surveys. In 2014, the WSIB maintained some of the highest levels of customer satisfaction results that we've ever seen. The results were also recognized in early 2014, when our Chair, Elizabeth Witmer, was nominated for the Canadian Federation of Independent Business' "Golden Scissors" Award for cutting red tape.

We are also updating our operating policies. In 2014, we met a major milestone by releasing new or revised benefit policies to guide decision making on pre-existing conditions, permanent impairments, recurrence, aggravation basis and work disruption. These policies were the product of extensive stakeholder engagement and feedback.

Together, these accomplishments have all contributed to our ability to provide timely, accurate, consistent and transparent decisions for claims and employer accounts.

Building system sustainability

In 2014, the WSIB was able to provide rate stability for employers, maintaining premium rates at 2013 levels.

For the fourth year in a row, premium revenue continues to cover operating costs and we have achieved strong core earnings since turning the corner in 2012. The WSIB achieved savings in benefit costs due to better recovery and return-to-work results and fewer lost-time injuries. These results, combined with strong investment returns, have allowed the WSIB to increase the Sufficiency Ratio of assets to liabilities annually putting us in a position to exceed our initial funding requirement of 60 per cent by 2017.

Delivering service excellence to our stakeholders

Our 2014 stakeholder satisfaction survey results indicate that we maintained strong satisfaction levels while investing in our transformation. Eighty per cent of

workers surveyed are satisfied with the overall service they receive from us. Our efforts to improve early support are also being noted by workers. Eighty-two per cent of workers surveyed are satisfied or somewhat satisfied with the time between the claim submission and first contact with us. During the claims process, case managers were rated at 79 per cent on their knowledge and 81 per cent on courtesy.

Employer scores also continue to show improvements across service excellence measures, especially when interacting with our account staff: 80 per cent of employers state that it is easy to do business with the WSIB. Account staff also continue to meet employer customer service expectations, which have reached 89 per cent satisfaction.

Engaging our stakeholders

In 2014, we also continued to provide our stakeholders with opportunities to engage with us. As a result of extensive consultations, the WSIB released revised or new benefits policies. Furthermore, the Chair and President continued to maintain regular forums to engage stakeholders.

Our 2014 stakeholder satisfaction survey results indicate that we maintained strong satisfaction levels while investing in our transformation.

Transforming to a leading workplace compensation board

Overall, what we have today is a transformed approach to service delivery and a business model that is able to respond to the needs of workers and employers. Moving forward we will continue to build on our commitments to those we serve by evolving our service delivery model while improving outcomes along the way.

100 Years: History of the WSIB

Our 100 years of serving Ontario's workers and employers harkens back to the time of the Industrial Revolution, when workplace death and injury were commonplace. In 1915, approximately five workers in Ontario were killed each week and 40-50 workers were injured daily.

Recognizing a need to provide workers with more rights and industries with stricter laws, Ontario took the lead, appointing Sir William Ralph Meredith to investigate workers' compensation and frame a suitable law for our province. This new system was to be funded entirely by employers, publicly-administered and compulsory – with the exception of a few large enterprises.

On May 1, 1914, Meredith's *Workmen's Compensation Act* received royal assent and the Workplace Safety and Insurance Board was formed under the original name "Workmen's Compensation Board." It was the first of its kind in Canada.

From our first days, we focused on providing a high level of service to our clients and customers. During a 1925 postal strike, to eliminate hardship on widows and injured workers, our employees took the initiative to deliver the cheques. It's just one example of the unswerving customer service and dedication that still exists amongst our employees today.

In the century since the founding of the WSIB, dramatic changes have swept the world of work. They include industrialization, immigration, unionization, globalization, two world wars, revolutions in technology, the widespread entry of women in the work force, temporary employment, and emerging workplace injuries and illnesses.

The WSIB has been responsive to the changing needs of our stakeholders over the decades, introducing regional offices to deliver services locally and new programs that expanded our focus from primarily compensation towards greater attention to quality health care and effective return to work.

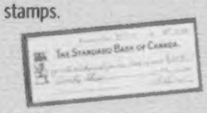
One hundred years later, we still operate under Meredith's Principles as we deliver what matters to the workers and employers of Ontario: fast, accessible service and fair benefits at a fair price.

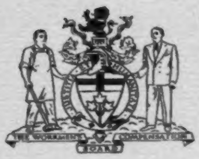
FAST FACTS

- The first assessment cheque to the Workmen's Compensation Board was received on December 14, 1914 from employer Bernard Cairns Limited, a manufacturer of rubber stamps.
- A lumber company worker in Kearney, Ont. suffered an injury to his hand on January 1, 1915. The *Workmen's Compensation Act* came into effect that day and the worker was the first recipient of benefits under the new law.
- The *Workers' Compensation Reform Act* promoted the prevention of injury and disease in Ontario workplaces, and revised the *Workers' Compensation Act*.

1910
On June 30, 1910, Sir William Ralph Meredith was appointed to a Royal Commission to study workers' compensation and frame a suitable law.

1914
The first assessment cheque is received on December 14 from Bernard Cairns Limited, a manufacturer of rubber stamps.





1920
The first crest is designed for the Board.

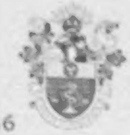
1935
In 1935, the Board's offices moves to the Canada Life Building in Toronto where we stayed for 18 years.

1940
After 25 years, the WCB had awarded $135 million in compensation to workers.

1950
The first district office opened at Fort William. District offices opened in Windsor and Cornwall in 1955, followed by the North Bay and Kitchener-Waterloo offices a year later.

1953
Always expanding, the Board moves into its new larger, state-of-the-art building at 90 Harbour St.

1960
Five immigrant workers died in a tragic accident during construction of a tunnel at Hoggs Hollow. The tragedy was a catalyst that changed forever the safety laws in Ontario, saving many lives as a result.



1966
The original crest is updated.

1910 1920 1930 1940 1950 1960

Meredith Principles: Yesterday and Today

Rat catchers, log riders and coal stokers are not jobs that you would hear about today, but one hundred years ago they were everyday jobs that came with a high risk of injury and disease. Workers of this era had limited protection from the impact of workplace injury and illness. A system to protect the welfare and financial security of workers and their families was desperately needed in an ever-changing world of work.

In 1910, an Ontario Royal Commission headed by Sir William Meredith proposed a solution whereby workers gave up the right to sue their employers for guaranteed protection from loss of income regardless of fault. Meredith studied the workplace laws of other countries and developed five recommendations that are now known as the Meredith Principles.

One hundred years later, the WSIB continues to adhere to the Meredith Principles. We reaffirmed our commitment to the Principles in the 2012 – 2016 Strategic Plan, which lays out a series of objectives focused on achieving better outcomes for the workers and employers of Ontario.

Mandated in legislation, we continue to be the sole provider of workers' compensation in Ontario and have authority to manage the fund while eliminating the burden of litigation for employers and workers. We also remain viable as premiums continue to cover the cost of claims, which ensures a sustainable fund that meets our obligations to injured workers and their families.

As the WSIB enters its second century of service to Ontarians, it does so having among the lowest costs of new claims and the best return-to-work results for workers of any province in Canada.

We are committed to being a responsive and financially sustainable organization, offering faster and better care for injured workers and more support and predictability for employers, a notion that Sir William Meredith certainly would approve of.

MEREDITH PRINCIPLES

1. No-fault compensation, which means workers are paid benefits regardless of how the injury occurred.
2. Security of benefits, which means a fund is established to guarantee funds exist to pay benefits.
3. Collective liability which means covered employers share the cost of the workers' compensation system.
4. Independent administration, which means that the organizations who administer workers' compensation insurance are separate from government.
5. Exclusive jurisdiction, which means only workers' compensation organizations provide workers' compensation insurance.

1974
A modern logo is introduced, based on Ontario's trillium.

Workmen's Compensation Board

1975
Coverage under *the Act* was extended to auxiliary members of police forces and to persons who assist in search and rescue operations.

1977
Office locations are opened in St. Catharines and Timmins, bringing the total to 15.

1982
The Board adopts a new name, the Workers' Compensation Board, and a new logo is created.

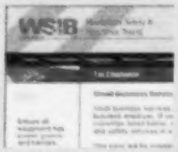
Workers' Compensation Board

1989
The Board celebrates its 75th Anniversary.

1997
The Prevention Division is established. WCB changes its name to the Workplace Safety and Insurance Board to reflect the expanded mandate in workplace health and safety.

WSIB ONTARIO CSPAAT

1999
The WSIB launches its first website.



2002
The "Safety Starts with You" WSIB social marketing campaign consisted of a series of print, TV and radio spots.

2003
The WSIB establishes the Fair Practices Commission to provide injured workers, employers and service providers with access to an independent office for addressing concerns around the fairness of services or treatment provided by the WSIB.

2007
The Prevent-it social marketing campaign is launched.

prevent-it.ca

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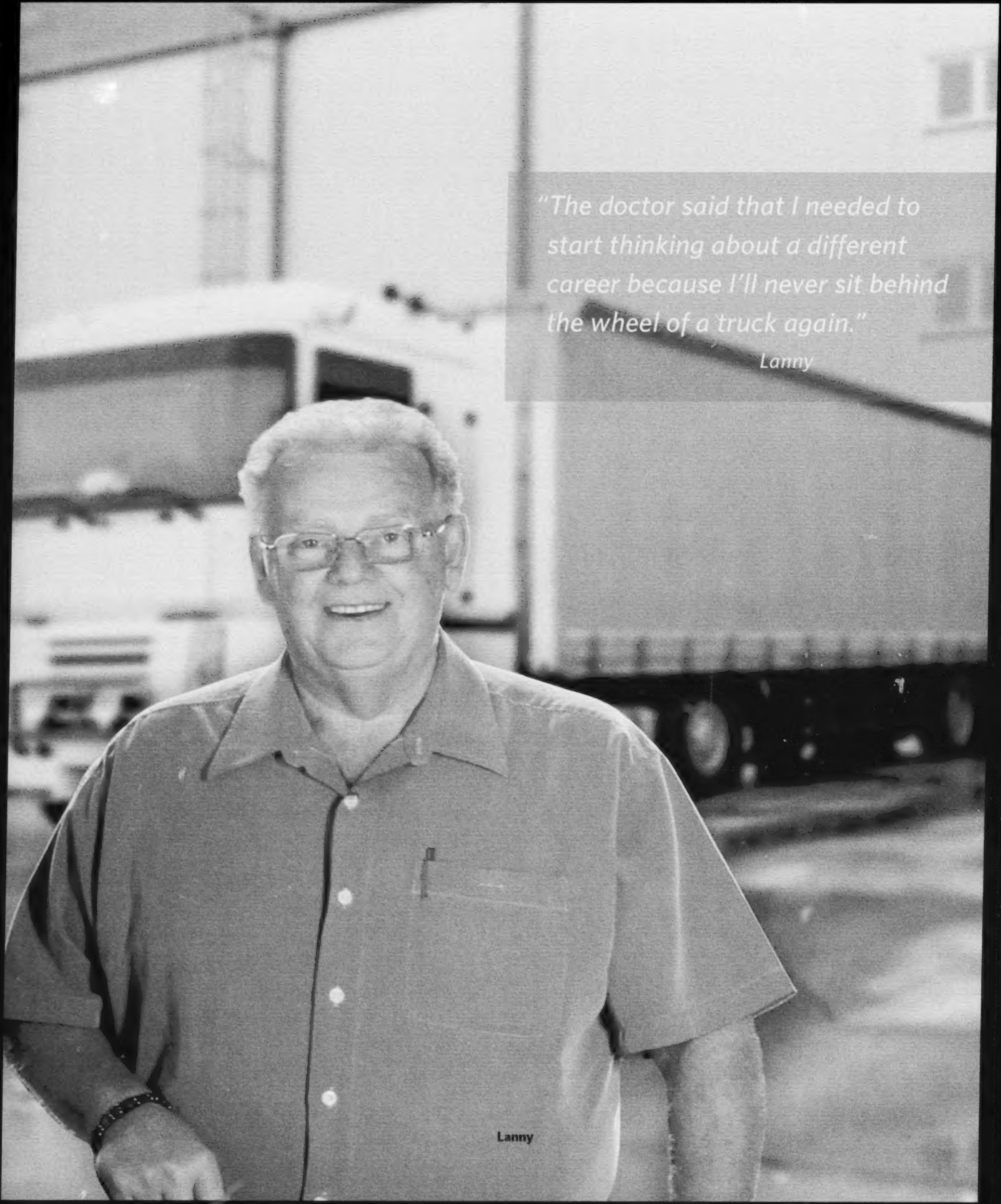
2010
The WSIB launches a modernized brand with a crisper, cleaner and brighter typeface that is more reflective of the organization today.

2011
WSIB launches the Customer Experience Office and a suite of new eServices to help make services more accessible.

2014
Relaunch of the new website.

1970 1980 1990 2000 2010 2015



> "The doctor said that I needed to start thinking about a different career because I'll never sit behind the wheel of a truck again."
>
> *Lanny*

Lanny

Transforming Lives

The WSIB has made great improvements in helping injured workers recover and return to work. Working together with employers and injured workers, the WSIB helps many to return to their original, pre-injury workplace, or another meaningful career.

Lanny's Story

"This is a guy we want to keep on our team"

Working together with employers and injured workers, the WSIB helps many injured workers recover and return to their pre-injury workplace. For example, Lanny is proud to be back with his employer in a new role after his 40-year career as a truck driver ended with a fall that left him very seriously injured and confined to three months of bed rest. "The doctor said that I need to start thinking about a different career because I'll never sit behind the wheel of a truck again," he said.

Lanny met with a Work Transition Specialist (WTS) from the WSIB and together they spoke with Scott, the owner of Lanny's company, to figure out how to get Lanny back to their organization. "This is a guy we want to keep on our team," said Scott. They all agreed that the best way to keep Lanny's valuable industry experience was to help him become a safety and compliance officer for the company.

With support from the WSIB Lanny went to a career college for six months and trained for his new job at his old company. "Post injury, I'm still here," Lanny said.

Anthony's Story

In 2008, while working as a lead hand brake press operator, 45-year-old Anthony suffered a permanent injury to his right knee that prevented him from being able to go back to his pre-injury job.

He was referred to WSIB's former Labour Market Re-entry (LMR) program, but was unsuccessful due to personal issues. His inability to complete the program left him feeling depressed, apathetic, and hopeless.

Following a reassessment of his abilities, he worked with a WSIB WTS and identified a new career path: cardiology technologist. He knew it would be challenging, but was determined to make it work.

"The WSIB didn't focus on my injury or use it as a barrier to keep me from getting back to work. My WTS wanted me to succeed, which motivated me during the tougher parts of retraining."

Over 18 months of studies he maintained an A-grade standing at his college and was asked to be a program ambassador for new entrants upon graduation. He credits much of his success to his WTS: "Without my WTS, I would not have made it through this program. We are a team now."

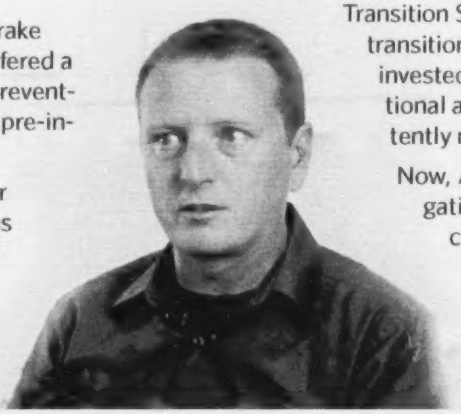
Anthony was the only student at his college selected by a renowned children's hospital for a placement based on his exceptional performance. Although no permanent postings were available at the end of his placement, he remained in contact with Human Resources. Then, in August 2014, he got the call from the children's hospital - and has joined their cardiology technologist team.

"I have accomplished so much thanks to the WSIB. The Work Transition Program helped me achieve my goal of getting back to meaningful work."

Anthony exemplifies the success and impact of Work Transition Services. He has been able to make the transition to a meaningful career that he is fully invested in. The WSIB provided ongoing vocational and supportive counselling and consistently monitored his progress.

Now, Anthony wants to encourage others navigating the uncertainty that follows significant injuries in the workplace.

"I want to help motivate others in believing they can achieve their goals, too. I'm proud of the example I have been able to set for my children. I have my life back."



Anthony

Board of Directors and Committees

The members of the WSIB Board of Directors have a diverse range of skills and understanding, reflecting their experiences across many business and industry sectors.

Elizabeth Witmer, Chair

May 17, 2012 - May 16, 2017

Elizabeth Witmer has a 35-year history of public service, first as a trustee and Chair of the Waterloo County Board of Education, then Kitchener-Waterloo MPP from 1990 to 2012 and now, Chair of the WSIB. She is the longest serving female MPP in Ontario and served as Deputy Premier, Minister of Labour, Minister of Health & Long-Term Care, Minister of Environment and Minister of Education.

Her leadership and accomplishments have been acknowledged with many prestigious awards such as the Queen's Golden and Diamond Jubilee Medals, the Social Work Doctors Award for her strong commitment to a just and caring society, the 2013 Kitchener-Waterloo Citizen of the Year Award for 30 years of outstanding public service and in 2014 was the first recipient of the Asthma Society of Canada Innovation in Public Policy Award for her role in beginning Ontario's coal phase-out.

Elizabeth is a graduate of the University of Western Ontario, Althouse College of Education and the Institute of Corporate Directors Rotman Program.

I. David Marshall, President and CEO

January 24, 2010 - January 23, 2017

Prior to joining the WSIB, I. David Marshall was Canadian Ambassador to Barbados and the Eastern Caribbean. He is also a Fellow of the Certified General Accountants Association of Canada and served in several senior executive roles in the Government of Canada, consecutively as Assistant Auditor General for Canada; Assistant Deputy Minister at Revenue Canada, Customs and Excise; and Assistant Deputy Minister at Employment and Immigration Canada. David has also served in senior positions in the telecommunications and banking industries including appointment as Vice Chairman of the Canadian Imperial Bank of Commerce from 1999 to 2002. He returned to the federal government as Deputy Minister of Public Works and Government Services Canada and Deputy Receiver General for Canada.

Lynda Bowles

November 14, 2012 - November 13, 2016

Lynda Bowles, FCA, FCPA, retired in May 2012 after working as a senior audit and advisory partner of Deloitte & Touche LLP for over 33 years where she specialized in audit, governance, quality reviews and financial advisory services. Currently, she is a director of West Park Health Care Centre, Technical Standards and Safety Authority, Cryptomills Technology Inc. and Maple Leaf Sports and Entertainment Foundation. Lynda also volunteers for Canadian Executive Service Organization in northern Canada working with the Inuit and First Nations.

Alice Dong

October 17, 2012 - October 16, 2015

A graduate of the University of Toronto, Dr. Alice Dong is an occupational health physician with professional expertise in the public and private sectors. Both Canadian and American Board certified, Dr. Dong has training and practical experience in health and safety, disability management, and return to work.

She is past chair of the Ontario Medical Association Committee on Work and Health, a former vice chair of the Governing Council of the University of Toronto, and is a former board member of Women's College Hospital. She is currently a medical consultant to Disability Management Services, RBC Insurance.

Michael Gallagher

March 26, 2014 - March 25, 2016

Michael Gallagher is the general vice president, Executive Board International Union of Operating Engineers and Business Manager for the International Union of Operating Engineers, Local 793. Currently, he is the chair of the Operating Engineers, Training Trust Fund, and a trustee on Local 793's Pension Trust Fund and Life & Health Benefits Trust fund. Previously, he has served as president of the Construction Safety Association, and Director of the Multi-Employer Benefit Council of Ontario. Michael has been awarded the Queen's Golden Jubilee Medal, the Queen's Diamond Jubilee Medal and the Roy Phinnemore Award by the Infrastructure Health & Safety Association.

P. Morgan McCague

August 21, 2008 - August 12, 2016

P. Morgan McCague has over 40 years of experience establishing new investment operations and programs and has worked at a senior level with the Ontario Teachers' Pension Plan, the Alberta Teachers' Retirement Fund and various financial institutions.

Morgan is a graduate of the Institute of Corporate Directors, was a director of GCAN Insurance Company, and served as president of the Buy-Side Investment Management Association.

Lea M. Ray

December 3, 2008 - December 2, 2016

Lea M. Ray is a certified director (ICD.D) of the Institute of Corporate Directors, at the Rotman School of Management, University of Toronto and is a Chartered Professional Accountant. She holds a bachelor of commerce degree from the Odette School of Business, University of Windsor.

Lea is currently a director of Tarion Warranty Corporation and Street Capital Financial Corporation. Her professional experience includes Warner Bros. Entertainment Canada Inc., a division of Time Warner, where she was employed for 18 years, most recently in the role of vice president of corporate finance.

She has served on the Professional Conduct Committee of the Chartered Professional Accountants (Ontario) and has served as a board member and volunteer of several non-profit health, conservation, and other charitable institutions.

Sari Sairanen

September 24, 2008 - September 16, 2017

Sari Sairanen is the National Health and Safety Director at UNIFOR and came to the National Union from the Airline Division, which represents members from across Canada. Sari also sits on the Employment and Social Development Canada Occupational Health and Safety Advisory Committee, the Canadian Standards Association's Strategic Steering Committee, Canadian Centre for Occupational Health and Safety Board of Governors and the Canadian Labour Congress' Occupational Health and Safety Committee.

Bryce Walker

January 23, 2013 - January 22, 2017

Bryce Walker brings with him a wealth of experience in health-care and education governance. He is currently vice chair of the Board of Trustees of the Healthcare of Ontario Pension Plan and past chair of both Wilfrid Laurier University's Board of Governors and Grand River Hospital's Board of Directors.

Mr. Walker's professional experience includes his role as senior vice president of Group Benefits for Manulife Financial, from which he has retired. He has a bachelor of math degree from the University of Waterloo, is a Fellow of the Canadian Institute of Actuaries, a Chartered Financial Analyst and holds an ICD.D designation from Rotman.

Scott Wilson

December 5, 2012 - December 4, 2016

Scott Wilson is Executive Director of the Kitchener, Waterloo, Cambridge Injured Workers Group.

For over 10 years, Scott has provided peer support and guidance to injured workers and has been an active contributor in identifying WSIB issues. A former glazier metal mechanic for over 20 years, he suffered a severe injury in 1999. Scott is a licensed paralegal.

Management's Responsibility for Financial Reporting

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") and the consolidated financial statements have been prepared by management and approved by the Board of Directors of the Workplace Safety and Insurance Board (the "WSIB"). The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") and, where appropriate, reflect management's best estimates and judgment. Where alternative accounting methods exist, management has chosen those methods considered most appropriate in the circumstances. Management is responsible for the accuracy, integrity and objectivity of the consolidated financial statements within reasonable limits of materiality of internal controls. Management is also responsible for the preparation and presentation of additional financial information included in the Annual Report and ensuring its consistency with the consolidated financial statements.

The Audit and Finance Committee of the Board of Directors meets with management as well as with the independent auditors to satisfy itself that management is properly discharging its financial reporting responsibilities and reviews the consolidated financial statements and the independent auditors' report. The Audit and Finance Committee also reports its findings to the Board of Directors for consideration in approving the WSIB's Annual Report and its submission to the Minister of Labour (the "Minister") pursuant to a Memorandum of Understanding between the Ministry of Labour (the "MoL") of the Province of Ontario (the "Province") and the WSIB.

In this MD&A, the "WSIB" or the words "our", "us" or "we" refer to the WSIB. This MD&A is dated, and all amounts herein are denominated in millions of Canadian dollars, unless otherwise stated.

The information in this MD&A includes amounts based on informed judgments and estimates. Forward-looking statements contained in this discussion represent management's expectations, estimates and projections regarding future events based on information currently available, and involving assumptions, inherent risks and uncertainties. Readers are cautioned that actual results may differ materially from projections in cases in which future events and circumstances do not occur as expected.

The consolidated financial statements have been examined by the WSIB's independent auditors, Ernst & Young LLP, and their report is provided herein.

Thomas Teahen
President and Chief Executive Officer
April 21, 2016
Toronto, Ontario

Pamela Steer
Chief Financial Officer

Management's Discussion and Analysis

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1. Year in Review

Highlights of our performance for the year ended December 31, 2014 compared to 2013.

The following MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes of the WSIB as at and for the year ended December 31, 2014 (the "consolidated financial statements").

Financial highlights

In 2014, we generated $2,819 million of total comprehensive income reflecting:

- continued strong operating performance resulting from growth in premium revenues and improved return to work outcomes resulting in lower benefit payments and lower administration and other expenses;
- $1,927 million of net investment income attributed to a 10.3% return on our investments, well ahead of our long-term return expectation of 6.0%; and
- $160 million of gains due to the change in actuarial valuation of benefit liabilities reflecting the impact of better return to work outcomes relative to our expectations.

Several years ago the WSIB achieved strong investment returns; however, the WSIB was not able to continue to progress towards eliminating its unfunded liability and accordingly, utmost caution must now be exercised in projecting financial results into the future based on our current results.

Financial highlights for the year ended December 31, 2014 compared to the year ended December 31, 2013:

- Premium revenues increased $77 million or 1.7% reflecting a 3.1% increase in insurable earnings due to strong growth in the construction, health care, manufacturing and services industries, net of $44 million of higher net mandatory employer incentive programs expense reflecting improved return to work outcomes. For the fourth consecutive year, we generated positive cash flow in our business as our premium revenues exceeded our operating expenses, thereby allowing us to transfer $925 million of cash generated from operating activities to our investment fund in 2014.
- Net investment income decreased $115 million representing a 10.3% return on investments compared to 12.7%. All strategies performed well above the overall plan of 6.0% (Fixed Income – 9.1%, Public Equities – 11.9%, Multi-asset – 10.7% and Infrastructure – 10.1%) with the exception of Real Estate which was just slightly over at 6.1%. While we are pleased with the investment returns achieved, we caution readers that these results are not sustainable over the long term. Accordingly, we continue to target a 6% rate of return on our investments over a rolling 10 to 15 year period.
- Benefit payments decreased $98 million or 3.9% reflecting 1,077 or 2.2% fewer prior year claims including locked-in claims as well as 68 or 0.2% fewer current injury year claims compared to 2013.
- The actuarial valuation of benefit liabilities decreased $160 million to $26,800 million reflecting the continuation of favourable experience results, partially offset by changes in valuation assumptions and methodologies.
- Administration and other expenses, before allocation to benefit costs, decreased $104 million or 12.9% reflecting $68 million of lower long-term employee benefit expenses due to an 80 basis point increase in interest rates used to value our long-term employee benefit plans, $16 million of lower termination expenses reflecting the absence of significant staff reductions in 2014, $10 million of lower operating expenses and the absence of a $10 million one-time provision in 2013 for Retail Sales Tax obligations related to prior years.
- Other comprehensive loss was $296 million primarily attributed to a 70 basis point decrease in the interest rate used to value our employee benefit liabilities.

- Our unfunded liability was $7,890 million as at December 31, 2014, a decrease of $2,577 million or 24.6% since December 31, 2013.

2014 Operational Results

Marginal increase in claim volumes. For the first time in 13 years, annual registered claim volumes were higher by a total of 0.6% or 1,112 claims than the prior year. The growth in claims was the result of an increase of 1.06% or 1,455 in no-lost-time claims, while lost-time claims decreased by 0.6% or 343 claims. The decrease in lost-time claims, combined with an increase in insurable earnings, resulted in a lost-time injury rate of 0.92 for 2014, 5.8% lower than the prior year. The Province's lost-time injury rate continues to be the best amongst all jurisdictions in Canada.

Integrated approach improving outcomes for injured workers. In 2014, the WSIB's integrated recovery and return to work approach continued to result in positive outcomes for workers and employers. The Province now has some of the best recovery and return to work outcomes in Canada – 92% of injured workers returned to work within 12 months with no wage loss and 80.5% of injured workers in the WSIB's Work Transition Program successfully found employment.

The percentage of workers remaining on loss of earnings benefits at key duration intervals also continued to improve. The percentage of workers on benefits at three and six months at the end of 2014 were at their lowest levels observed (decreased from 11.9% to 11.2% and from 6.6% to 6.4%, respectively) while longer term durations (48 and 72 months) also improved (decreased from 3.9% to 2.6% and from 5.5% to 4.8%, respectively).

Investments in health care resulting in improved recovery. Our integrated approach includes continued focus on providing high quality and timely health care. In 2014, we expanded our Specialty Clinics and Programs of Care. As a result, the percentage of workers participating in these programs grew by 4.2% to 36%.

Our investment in health care over the last several years has resulted in fewer injured workers suffering permanent impairment. In 2014, the percentage of workers with permanent impairments further declined to 5.6% from 6.6% in 2013.

Sustaining customer satisfaction results. The WSIB's transformation over the last several years has included the implementation of a number of program improvements and channels to ensure convenient access and timely response. The results of our 2014 customer satisfaction survey indicated that we maintained our customer satisfaction results while investing in this transformation. Survey results indicate that close to 8 out of every 10 worker respondents were satisfied or somewhat satisfied with the overall service they received from us regarding claims. Almost 9 out of 10 employers surveyed were satisfied or somewhat satisfied with the service they received regarding both accounts and claims.

The timeliness of eligibility decisions continued to improve – over 93% of decisions were made within two weeks, compared to 91% in 2013. The modernized appeals process also showed decision making efficiencies. On average, appeals were resolved in 97 days, a vast improvement from 223 days in 2012.

The WSIB's online channels and Teleclaim provide convenient options for workers and employers to register claims, and for employers to facilitate a number of transactions, including registering their new business, obtaining clearance certificates and paying premiums. In 2014, 85% of new accounts were registered using eRegistration compared to 68% in 2013, and the use of ePremiums remained steady at 55%.

The next 100 years – service and sustainability. In 2014, our investment in return to work and health care continued to improve outcomes for injured workers and employers. Also, our customer service improvements have enabled efficient and accessible services to workers and employers with quality and consistent decision making. As a result, our financial performance has improved and we are well positioned to ensure that our workplace compensation system is sustainable and can meet our established funding requirements.

2. Our Business

An overview of our business.

Our mandate

The WSIB, a trust agency of the Government of Ontario, is legislated to administer the Province's no-fault workplace compensation system under the *Workplace Safety and Insurance Act* (the "WSIA"). We administer the system with revenues collected through employer premiums, and to a lesser degree, income earned on our investments. The Province does not provide us with any funding.

For workers, we help them get back to what matters – productive lives and work – by supporting them in their recovery and return to work and compensating their wage loss, if required. Permanently injured workers who cannot return to their pre-injury employer are offered services to help them reintegrate into the workforce. In the event of a workplace fatality, the WSIB provides compensation and other benefits to the surviving spouse and dependents.

For employers, we provide collective liability insurance coverage and efficient account and claim management services, making it easy for them to get back to business. The collective liability system provides stable costs rather than large exposure risks, ensuring that both employers and workers can avoid costly and time-consuming litigation.

For both workers and employers, we support the promotion of workplace health and safety through Ontario's Chief Prevention Officer.

How we derive our income

Revenues to fund the operation of the WSIB and delivery of benefits and services are derived through premium revenues and investment returns.

Premiums

The WSIB collects premiums from employers classified under Schedule 1 of the WSIA and administration fees from the employers listed in Schedule 2 of *Ontario Regulation 175/98*. Over 70% of the Province's labour force is covered by the WSIB under either Schedule 1 or Schedule 2.

Schedule 1 employers contribute to the collective liability insurance fund. There are approximately 300,000 Schedule 1 firms, each assigned to one or more of 155 rate groups according to the nature of their business. The premium rate for each rate group reflects costs associated with benefits, administration and legislative obligations and past claims costs, including a charge to retire the unfunded liability for that rate group. Employer premiums may also be adjusted as a result of mandatory and voluntary incentive programs.

Mandatory employer incentive programs reduce or raise premiums paid by a firm based on their claims experience. Firms with over $1,000 but less than $25,000 in average annual premiums are assigned to the Merit Adjusted Premium plan. Firms that pay $25,000 or more are assigned to the New Experimental Experience Rating ("NEER") program or, if in the construction industry, the Council Amended Draft #7 program.

In addition, an employer's experience rating costs may be reduced with the application of Second Injury Entitlement Fund ("SIEF") relief. SIEF relief for all or some of the claims costs is applied to employer accounts in cases where the cause or duration of an injury was affected by a prior disability or pre-existing condition.

Schedule 2 employers are individually responsible for the full cost of their respective claims. Schedule 2 employers include federal and provincial governments and their agencies, municipalities and school boards, and other enterprises such as major railways with operations in Ontario. Schedule 2 employers reimburse the WSIB for the costs of their claims plus a fee to cover overhead and administrative costs and, in the case of provincially-regulated employers, legislative obligations.

Investments

Our governance process

We invest the portion of premiums collected but not required to be paid to or on behalf of injured workers in the year of their injury or to fund current operating expenses. As at December 31, 2014, we held $23.7 billion in investments to fund all future benefits including the WSIB employee pension benefit obligations. Our investment strategy for these funds involves a prudent balance of income generation and capital appreciation until the funds are required to pay benefits for injured workers.

The following is a summary of our investment governance process:

- Our governance process establishes the oversight for determining how we invest our funds and the safeguards put in place to monitor our investments. Our governance process begins with an annual review of our Strategic Investment Plan ("SIP"). Our SIP is designed to provide a diversified source of investment income within an acceptable level of risk, commonly referred to as volatility. In accordance with best practices, our SIP is reviewed no less than annually by our Investment Committee, which includes independent investment experts and is then reviewed and approved by our Board of Directors. Our SIP seeks to lower the variability of our investment returns over time while maintaining an acceptable rate of return, thereby providing funding for benefits for injured workers.
- Our governance framework operates in accordance with best practices for good governance. Investment decisions that have the most impact on investment outcomes remain at the Board of Directors level. These decisions include our investment beliefs, establishing our overall governance framework, and approving our Statement of Investment Policies and Procedures. With appropriate reporting and oversight, the Board of Directors delegates certain investment decisions to our Investment Committee and our senior management. The Investment Committee is appointed by the Board of Directors and consists of Board members and external advisers who have the requisite degree of financial expertise with sufficient knowledge and skill to advise on the development and implementation of our investment strategy.
- The Investment Committee approves operational investment policies as well as the hiring of investment agents. Within well-defined investment mandates, security selection decisions are delegated to external managers consistent with our belief that external investment management is more compatible with our objectives. Our investment program is executed and monitored by senior staff members under the direction of our President and Chief Executive Officer, Chief Investment Officer, the Investment Committee and, ultimately, our Board of Directors.
- Risk is inherent in each element of the investment decision making process. Hence, risk measurement is an integral component of our governance program. We believe the most significant risks to which we are exposed include credit, liquidity and various market risks. A discussion of our investment risks and mitigating strategies is contained in note 23 of the consolidated financial statements. We use various financial and non-financial methods to assess, measure and monitor risk, and have implemented an investment risk measurement system.

What we invest in

We invest in a wide range of assets to provide a target level of investment return over the long-term given the level of risk we are prepared to assume. The asset strategies we invest in include:

- ***Fixed income.*** Our fixed income portfolio includes bonds, debentures, and other fixed income investments. Our government and corporate bond portfolios are designed to track the performance of their respective Canadian bond indices. Bonds provide diversification and liquidity, particularly when economic conditions are weak, or when market or economic shocks precipitate a flight to lower risk investments.
- ***Public equities.*** We invest in a diversified portfolio of domestic and international equities, or securities convertible into equity, to provide broad equity market exposure. Public equities are expected to provide higher investment returns than other asset classes over the long run, but exhibit a large degree of variability in investment returns from year to year.

- ***Multi-*****Asset.** Our multi-asset portfolio consists of equities, bonds, commodities and other derivative instruments that utilize a broad array of strategies to earn equity-like returns, with lower levels of volatility. These strategies tend to be more complex than traditional strategies and require greater management oversight.
- ***Real Estate***. We invest in real estate properties diversified across office, retail, industrial and mixed-use assets located throughout Canada. Real estate provides us with a predictable source of income and is expected to keep pace over time with inflation, both beneficial attributes.
- ***Infrastructure.*** Our infrastructure assets consist of a portfolio of global business and social service assets providing essential services, typically under long-term contracts. Infrastructure assets generally offer stable long-term cash flows. Similar to real estate, the long-term inflation sensitivity of infrastructure assets is a beneficial attribute for investors.

Benefit Costs

Types of benefit payments

A number of different benefits are administered by the WSIB in accordance with the WSIA and predecessor legislation, the *Workers' Compensation Act*. These benefits relate to compensating wage loss, and providing for health care treatments and other benefits to injured and ill workers and survivors. Each type of benefit is described in more detail below:

- Loss of earnings benefits compensate injured workers for earnings lost due to a work-related injury or illness occurring subsequent to 1997, starting the day after the injury or illness occurred. The benefit rate is based on 85% of the worker's pre-injury net average earnings, subject to legislated minimum and maximum amounts of compensation.
- Non-economic loss or NEL benefits represent compensation to a worker who suffers a permanent impairment as a result of an injury. Benefits are based on the severity of the permanent impairment. Non-economic loss benefits recognize the physical, functional or psychological loss resulting from a permanent impairment, beyond the wage loss.
- Health care costs are payments for professional services provided by health care practitioners, hospitals and health facilities as well as the cost of drugs that are required to facilitate recovery. In cases of serious injury, they may also include attendant services, home or vehicle modifications, assistive devices and prostheses, extraordinary transportation costs to obtain health care and other measures to improve the quality of an injured worker's life.
- External provider costs associated with our work reintegration program include payments to external agencies providing rehabilitation services, such as training programs to assist an injured worker's return to work and the costs of work transition assessments and plans. They are incurred when accommodations with the pre-injury employer are not available.
- Loss of retirement income benefits contributions are payable on behalf of an injured worker who has received loss of earnings benefits for 12 continuous months or future economic loss benefits and was under the age of 64 at the date of injury. At age 65, the injured worker receives a benefit from contributions made to their Loss of Retirement Income account plus any investment income earned.
- Survivor pensions represent monthly benefits provided to the spouse, dependent children and other dependants of a worker whose death was the result of a workplace injury or occupational disease.
- Future economic loss or FEL benefits compensate workers injured after January 1, 1990, and prior to January 1, 1998, who cannot restore their pre-injury earnings as a result of a permanent impairment or temporary disability for 12 continuous months.
- Worker pensions represent pensions for injured workers suffering a workplace injury prior to January 1, 1990 based on the degree of the injured worker's disability.

Provision for claims

Benefit liabilities are established on a quarterly basis and represent the present value of the expected future cost to satisfy all claims occurring prior to but still outstanding as at the consolidated statement of financial position date. The liability consists of expected costs for reported claims, expected costs on outstanding claims that have been incurred but not yet been awarded, as well as increases in benefits resulting from deterioration of an existing injury, and a provision for future occupational disease claims. The calculations are reviewed by our external auditors as part of the WSIB's annual financial audit.

Data and other factors that can influence the amount and timing of future payments are considered when calculating benefit liabilities. Some of the factors are based on historical trends, our governing legislation, as well as our policies, claims adjudication practices and appeal decisions. We also consider the development of future claim payment trends, which may be impacted by management actions, legislative changes, judicial decisions and economic conditions. Where possible, we apply multiple techniques to estimate the required benefits liability provision. This approach provides additional insight into the trends inherent in the claims data being used to project the future payments valued in the benefits liability. Between the reporting and final disposition of a claim, circumstances may change which may result in changes to the established liability. For example, changes in the provisions of the WSIA or medical costs could substantially affect the ultimate cost of a claim. Accordingly, we review and re-evaluate claims and their impact on the estimate of the benefit liabilities on a regular basis.

Provisions made for future occupational diseases recognize that workers exposed to hazardous substances or conditions in their workplaces may develop occupational diseases after long latency periods. These provisions are significant and are expected to increase in future years due to increasing causal evidence and projected increases in benefit costs. Benefit costs will vary depending on the type and characteristics of the disease, and the timing and management of the claim. Given the inherent uncertainties, the eventual cost to satisfy outstanding claims can vary substantially from the initial estimates.

Administration and other expenses

Administration and other expenses include the expenses necessary to support our various business activities.

Legislated obligations and funding commitments

The WSIB is required to reimburse the Government of Ontario for the administration of the Occupational Health and Safety Act (the "OHSA") and various organizations including Health and Safety Associations, Workers' Health and Safety Centre, Occupational Health Clinics for Ontario Workers, the Office of the Worker Adviser, the Office of the Employer Adviser, and the Workplace Safety and Insurance Appeals Tribunal (the "WSIAT"). The WSIB also is required to fund research. On April 1, 2012, responsibility for the administration of research grants was transferred to the MoL.

Voluntary employer health and safety incentive programs are also available. The Safe Communities Incentive Program is a two-part small business training program that builds general awareness of workplace health and safety obligations and helps employers to build a health and safety program. Participants can receive a one-time 5% premium rebate for participating in each part of the program; however, not in the same calendar year.

The Safety Groups Program also awards a rebate of up to 6% of premiums to employers that successfully implement new return to work and health and safety elements, and reduce injuries and illnesses.

3. Our Strategy

A summary of our Strategic Plan.

The WSIB's *2012-2016 Strategic Plan*, released in January 2012, provides a balanced and comprehensive approach towards ensuring better outcomes for workers and employers while eliminating the WSIB's unfunded liability. The Strategic Plan's pillars and objectives are designed to transform the WSIB into a modern, responsive and sustainable workplace compensation system.

As part of the WSIB's strategic planning cycle, the Board of Directors regularly assesses the relevancy of the Strategic Plan, taking into account performance results, external trends and the current operating environment.

In 2014, the WSIB released an updated Strategic Plan reflecting the Board of Directors' direction to revise the strategic pillars to better reflect our core focus on return to work and our ongoing commitment to fairness for workers and employers. In addition, the objectives were also revised to ensure that our efforts toward the Strategic Plan are comprehensive and measurable.

The Plan is divided into five pillars:

1. Return to work and fair benefits;
2. Sufficient funding;
3. Revenue must be fairly assessed and cover costs;
4. Service excellence and efficient administration; and
5. Stakeholder relationships.

Our strategic objectives are nearly accomplished, contributing to significant improvements in the WSIB's operational and financial results. The WSIB's results are monitored and published on a quarterly basis on the WSIB website.

The WSIB remains committed to staying the course and continuing to build on the achievements made to date to work towards realizing our vision: ***To be the leading workplace compensation board.***

4. Operating Results

A more detailed discussion of our financial performance for the year ended December 31, 2014 compared to 2013.

This section provides a detailed discussion of our financial performance. Our consolidated financial statements have been prepared in accordance with IFRS. All amounts herein are in millions of Canadian dollars unless otherwise specified.

Financial highlights

The following table sets forth our annual operating results for the years ended December 31:

			Change	
(millions of Canadian dollars)	**2014**	**2013**	**$**	**%**
Revenues				
Premiums	4,628	4,507	121	2.7
Net mandatory employer incentive programs	(124)	(80)	(44)	(55.0)
	4,504	4,427	77	1.7
Net investment income				
Investment income	2,091	2,184	(93)	(4.3)
Investment expenses	(164)	(142)	(22)	(15.5)
	1,927	2,042	(115)	(5.6)
	6,431	**6,469**	**(38)**	**(0.6)**
Expenses				
Benefit costs				
Benefit payments	2,420	2,518	(98)	(3.9)
Claim administration costs	363	428	(65)	(15.2)
Change in actuarial valuation of benefit liabilities	(160)	(90)	(70)	(77.8)
	2,623	2,856	(233)	(8.2)
Loss of Retirement Income Fund contributions	59	62	(3)	(4.8)
Administration and other expenses	358	397	(39)	(9.8)
Legislated obligations and funding commitments	276	267	9	3.4
	3,316	3,582	(266)	(7.4)
Excess of revenues over expenses	**3,115**	**2,887**	**228**	**7.9**
Other comprehensive income (loss)				
Remeasurements of employee defined benefit plans	(296)	840	(1,136)	(100+)
Total comprehensive income	**2,819**	**3,727**	**(908)**	**(24.4)**
Total comprehensive income attributable to:				
WSIB stakeholders	2,577	3,463	(886)	(25.6)
Non-controlling interests	242	264	(22)	(8.3)
	2,819	**3,727**	**(908)**	**(24.4)**
Other measures				
Core Earnings[1]	1,028	755	273	36.2
Return on investments[2]	10.3%	12.7%	n/a	(2.4)
Unfunded liability[3]	(7,890)	(10,467)	2,577	24.6

1. Core Earnings is calculated as total comprehensive income, excluding the impacts of net investment income, changes in actuarial valuations and any items that are considered as material and exceptional in nature. See Section 16 – Non-IFRS Financial Measure.
2. Return on investments is calculated as the change in the fair value of the total investment portfolio, taking into account capital contributions and withdrawals, prior to investment expenses.
3. Unfunded liability represents the deficiency of net assets attributable to WSIB stakeholders as at the end of the reporting period. The total deficiency of assets of $5,246 million as at December 31, 2014 (December 31, 2013 – $8,073 million) is allocated between the WSIB stakeholders and the non-controlling interests ("NCI") on the basis of their proportionate interests in the net assets of the WSIB. NCI represent the proportionate interest of the net assets and total comprehensive income of subsidiaries in which the WSIB directly or indirectly owns less than 100% interest. NCI of $2,644 million as at December 31, 2014 (December 31, 2013 – $2,394 million) excludes benefit liabilities since the holders of NCI, the WSIB Employees' Pension Plan and other investors are not liable for those obligations. The proportionate share of the total deficiency of assets attributable to WSIB stakeholders as at December 31, 2014 was $7,890 million (December 31, 2013 – $10,467 million) which includes benefit liabilities. Refer to the consolidated statements of financial position for further details.

Premiums

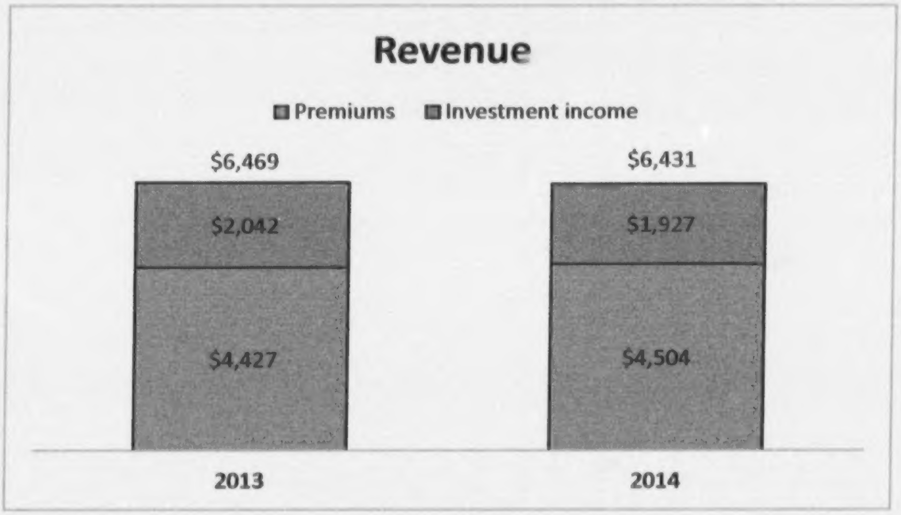
Premiums were $4,504 million compared to $4,427 million, an increase of $77 million or 1.7% and are segmented as follows:

(millions of Canadian dollars)	2014	2013	Change $	 %
Schedule 1 employer premiums				
Gross Schedule 1 premiums	4,514	4,387	127	2.9
Interest and penalties	47	48	(1)	(2.1)
Other income	1	1	-	-
	4,562	4,436	126	2.8
Schedule 2 employer administration fees	66	71	(5)	(7.0)
	4,628	4,507	121	2.7
Net mandatory employer incentive programs	(124)	(80)	(44)	(55.0)
	4,504	**4,427**	**77**	**1.7**

Gross premiums increased $127 million or 2.9% reflecting $137 million attributed to a 3.1% increase in insurable earnings as detailed below, partially offset by $10 million or 0.2% attributed to the slight decrease in the average premium rate charged to employers in 2014.

Net mandatory employer incentive programs increased due to higher refunds available under the retrospective experience-rating programs, principally the NEER program, reflecting favourable claims experience.

The following chart displays the different components of revenue for the years ended December 31, 2014 and 2013:



A comparison of employment, insurable earnings and gross premiums for the year ended December 31, 2014, along with the percentage change from the prior year is as follows:

	Employment[1]		Insurable Earnings		Gross Premiums		
(millions of Canadian dollars)	#	Change	$	Change	$	Change	% of total
Industry Sector							
Agriculture	56,718	4.7%	2,022	6.7%	83	6.7%	1.8%
Automotive	151,430	7.8%	7,288	3.0%	255	3.2%	5.6%
Construction	401,156	14.0%	19,601	8.7%	1,200	4.3%	26.6%
Education	145,276	(4.5)%	6,940	5.9%	28	7.8%	0.6%
Electrical	92,453	(4.1)%	5,446	1.3%	60	2.4%	1.3%
Food	129,845	0.8%	4,935	1.7%	142	1.6%	3.1%
Forestry	9,793	8.8%	417	6.5%	39	5.9%	0.9%
Health care	490,384	(1.0)%	23,108	3.6%	364	4.0%	8.1%
Manufacturing	934,752	(0.6)%	37,723	2.1%	671	2.6%	14.9%
Mining	30,796	(2.5)%	1,967	(1.7)%	134	(0.9)%	3.0%
Municipal	43,199	(1.4)%	2,131	3.5%	48	3.5%	1.1%
Primary metals	28,145	(0.7)%	1,685	3.1%	49	3.1%	1.1%
Process and chemicals	99,250	(5.6)%	4,512	0.5%	86	0.3%	1.9%
Pulp and paper	16,908	(3.4)%	736	(1.2)%	22	(1.0)%	0.5%
Services	1,557,279	1.0%	47,638	3.9%	787	4.4%	17.4%
Transportation	251,265	0.8%	10,187	3.0%	485	3.6%	10.7%
Total	**4,438,649**	**1.2%**	176,336	3.7%	4,453	3.6%	98.6%
Premiums accrued but not reported			2,492	(25.3)%	61	(29.9%)	1.4%
Total			**178,828**	**3.1%**	**4,514**	**2.9%**	**100.0%**

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[1] We derive employment levels based on reported insurable earnings divided by an estimated average wage for each industry sector.

Average premium rates

As communicated to employers in the fall of 2013, our average published premium rate increased from $2.46 per $100 of insurable earnings in 2013 to $2.48 per $100 of insurable earnings in 2014, reflecting the shift in WSIB's industry mix since 2013. This increase in average premium rates, along with several management initiatives such as our return to work efforts and improved health care strategy, allowed us to cover the costs of providing benefits to injured workers and the impact of inflation.

Between 2007 and 2010, premium rates realized were between 1.0% and 3.0% below the average published premium rate for those years, resulting in a cumulative premium shortfall of $264 million. Since 2011, however, actual premium rates realized were slightly in excess of the average published rate. In 2014, we collected $2.53 per $100 of insurable earnings, above the average published premium rate of $2.48, and as a result, have fully recovered the previous years' accumulated deficit of expected premiums. The improvement in 2014 reflects stronger than anticipated growth in the automotive, construction, health care, manufacturing, services and transportation industries, indicative of stronger economic conditions.

A comparison of target and average premium rates collected for each of the past six years is noted below:

	Average Premium Rate (per $100 of insurable earnings)			**Variance to Expected Premiums**	
	Target ($)	**Actual ($)**	**Variance ($)**	**Year ($ millions)**	**Cumulative ($ millions)**
2009	2.26	2.20	(0.06)	(94)	(166)
2010	2.30	2.23	(0.07)	(98)	(264)
2011	2.35	2.37	0.02	35	(229)
2012	2.40	2.44	0.04	62	(167)
2013	2.46	2.53	0.07	117	(50)
2014	2.48	2.53	0.05	80	30

Net investment income

In 2014, we generated $1,927 million of net investment income representing a 10.3% gross rate of return compared to $2,042 million of net investment income representing a 12.7% rate of return. Over 10 and 15 years, our investment returns prior to investment expenses were 6.5% and 5.7%, respectively.

A summary of investment income, segmented by asset class for the years ended December 31 is as follows:

Asset Class	**2014**				**2013**			
(millions of Canadian dollars)	**Investment income (loss)**	**Return %**	**Net asset value[1]**	**%**	**Investment income (loss)**	**Return %**	**Net asset value[1]**	**%**
Public equity securities	908	11.9	8,653	36.5	1,831	27.5	7,882	38.0
Fixed income	450	9.1	5,886	24.8	(42)	(0.9)	5,034	24.3
Multi-asset	533	10.7	5,604	23.6	166	4.6	4,738	22.9
Real estate	154	6.1	1,967	8.3	175	10.3	1,720	8.3
Infrastructure	41	10.1	627	2.6	45	13.8	526	2.5
Cash and cash equivalents	5	-	929	3.9	9	-	740	3.6
Other	-	-	74	0.3	-	-	75	0.4
Investment income	2,091	10.3	23,740	100.0	2,184	12.7	20,715	100.0
Investment expenses	(164)				(142)			
Net investment income	**1,927**				**2,042**			

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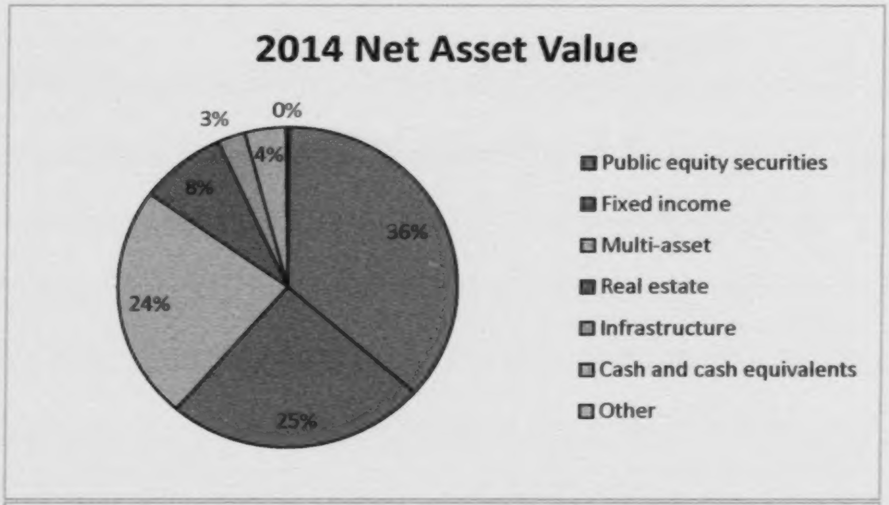
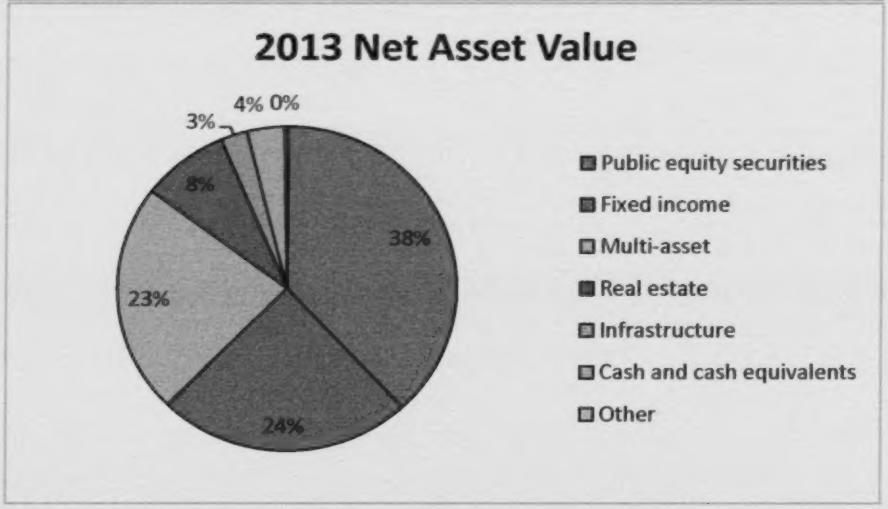
1. Total net asset value includes investment cash, investment receivables and payables, and investment derivatives.

The higher than expected returns in 2013 and 2014 are not a reflection of expected future performance. We set our forward return expectations based on our long-term expected return of 6.0%. Additionally, a significant portion of our portfolio is invested in fixed income assets which are affected by market interest rates. If interest rates rise, returns on fixed income investments may be limited. Consequently, our net investment income for 2015 is anticipated to be moderate relative to 2014. Our financial performance is heavily reliant on the amount of investment income we are able to generate as each 1% rate of return on investments of the WSIB Insurance Fund represents approximately $190 million of net investment income equating to $0.11 of premium per $100 of insurable earnings or 4% of annual premiums.

The following charts display the different components of net asset value for the years ended December 31, 2014 and 2013.





Benefit costs

Benefit costs consist of: (i) benefit payments to or on behalf of injured workers; (ii) claim administration costs, which represent an estimate of our administration costs necessary to support benefit programs; and (iii) the change in the actuarial valuation of our benefit liabilities, which represents an adjustment to the actuarially determined estimates for future claim costs existing at the date of the consolidated statements of financial position. Total benefit costs were $2,623 million, a decrease of $233 million, or 8.2% as follows:

			Change	
(millions of Canadian dollars)	**2014**	**2013**	**$**	**%**
Benefit payments	2,420	2,518	(98)	(3.9)
Claim administration costs	363	428	(65)	(15.2)
Change in actuarial valuation of benefit liabilities	(160)	(90)	(70)	(77.8)
Total benefit costs	**2,623**	**2,856**	**(233)**	**(8.2)**

Benefit payments

Benefit payments represent cash paid during the year to or on behalf of injured workers. Benefit payments are comprised of the following:

(millions of Canadian dollars)	2014	2013	Change $	Change %
Loss of earnings	863	908	(45)	(5.0)
Workers' pensions	596	624	(28)	(4.5)
Health care	452	455	(3)	(0.7)
Future economic loss	230	242	(12)	(5.0)
Survivor benefits	184	178	6	3.4
External providers	44	52	(8)	(15.4)
Non-economic loss	48	48	-	-
Other	3	11	(8)	(72.7)
Total benefit payments	**2,420**	**2,518**	**(98)**	**(3.9)**

A summary of the significant changes in benefit payments for 2014 is as follows:

- Loss of earnings benefits decreased primarily due to improved claims management through better recovery and return to work outcomes, reflecting 3,139 or 5.5% fewer non-locked-in claims as at December 31, 2014. The lost-time injury rate decreased by 6.1% to 0.92, which also contributed to the decrease in loss of earnings benefits.
- Workers' pensions decreased reflecting the natural reduction of claims due to mortality.
- Future economic loss benefits decreased reflecting the natural reduction in the number of claimants that reach age 65, the age at which these benefits cease.
- Survivor benefits increased reflecting annual indexation, as well as the impact of approximately $3 million due to new legislation allowing coverage of firefighter occupational diseases.
- External providers' expense decreased primarily due to fewer lost-time injuries and a more targeted approach to return to work.
- Other benefit costs decreased primarily due to lower overpayments and temporary supplements for claims prior to Bill 99.

Claim administration costs

Claim administration costs reflect the portions of administration and other expenses and legislated obligations and funding commitments expenses allocated to benefit costs.

Total claim administration cost was $363 million compared to $428 million in 2013, a decrease of $65 million or 15.2%, primarily due to a decrease in total administration and other expenses:

(millions of Canadian dollars)	2014	2013	Change $	Change %
Allocation from administration and other expenses	344	409	(65)	(15.9)
Allocation from legislated obligations and funding commitments expenses	19	19	-	-
Total claim administration costs	**363**	**428**	**(65)**	**(15.2)**

Changes in actuarial valuation of benefit liabilities

(millions of Canadian dollars)	2014	2013	Change $	Change %
Change in actuarial valuation of benefit liabilities	(160)	(90)	(70)	(77.8)

Change in actuarial valuation of benefit liabilities represent the change in the present value of future payments for loss of earnings and other disability benefits, health care, survivor, labour market re-entry and claim administration related to claims that occurred on or before December 31, 2014, and for occupational disease claims expected to arise in the future as a result of exposures which were incurred in the workplace on or before December 31, 2014 in respect of occupational diseases currently recognized by the WSIB.

Change in actuarial valuation of benefit liabilities decreased reflecting the continuation of favourable experience results, partially offset by strengthening of valuation assumptions and methodologies. The change is detailed as follows:

(millions of Canadian dollars)	
Benefit liabilities as at December 31, 2013	**26,960**
Payments made in 2014 for prior injury years	(2,508)
Interest accretion[1]	1,283
Liabilities incurred for the 2014 injury year	1,417
Experience gains	(1,309)
Valuation assumptions and methodologies change[2]	830
Impact of regulation amendment[3]	127
Benefit liabilities as at December 31, 2014	**26,800**
Change in actuarial valuation of benefit liabilities	**(160)**

1. Accretion represents the estimated interest cost of the benefits liabilities, considering the discount rate, benefit liabilities at the beginning of the year and payments made during the year.
2. Change in valuation basis includes:
   a. Discount rate being reduced by 25 basis points to 4.75% up to 2017 and 5.25% thereafter, an increase of $569 million;
   b. Updated loss of earnings termination rates and lock-in profile by using the recent experience, a decrease of $22 million;
   c. New valuation methodology for valuing some future awards benefits, an increase of $64 million;
   d. Refinement of methodology for health care and other benefits by using a 4-year average instead of a 3-year average, an increase of $92 million; and
   e. Updated latest experience of average Long Latency Occupational Disease claims cost, an increase of $127 million.
3. On May 1, 2014, *Ontario Regulation 113/14* under the WSIA came into effect, amending *Ontario Regulation 253/07* (Firefighters) to provide new presumptions for six additional cancers. Three of these presumptions took effect on May 1, 2014. The remaining presumptions will be phased in over the next three years. As per the WSIA, the presumptions are retroactive to January 1, 1960. For the presumptions to apply, breast and testicular cancers require 10 years of service before diagnosis. The other conditions require 15 years of service.

Administration and other expenses

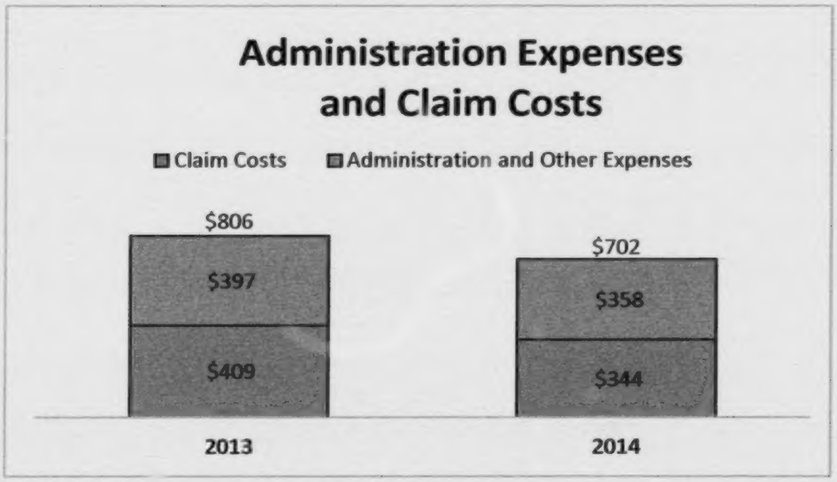
Administration and other expenses, before allocation to benefit costs, were $702 million, a decrease of $104 million or 12.9%. A summary of changes in administration and other expenses for the years ended December 31 is as follows:

(millions of Canadian dollars)	2014	2013	Change $	Change %
Salaries and short-term benefits	395	373	22	5.9
Long-term employee benefit plans	121	189	(68)	(36.0)
Bad debts	40	39	1	2.6
Communications	10	10	-	-
Depreciation and amortization	11	22	(11)	(50.0)
Equipment and maintenance	46	48	(2)	(4.2)
Facilities	40	43	(3)	(7.0)
New systems development and integration	5	21	(16)	(76.2)
Termination benefits	2	18	(16)	(88.9)
Other	32	43	(11)	(25.6)
	702	806	(104)	(12.9)
Claim administration costs allocated to benefit costs	(344)	(409)	65	15.9
Total administration and other expenses	**358**	**397**	**(39)**	**(9.8)**

A summary of the significant changes in administration and other expenses for 2014 is as follows:

- Salaries and short-term benefits increased reflecting inflationary pressures and higher costs for temporary staff to support our business transformation efforts.
- Long-term employee benefit plans decreased primarily due to an 80 basis point increase in interest rates used to value our pension and other post-retirement obligations.
- Depreciation and amortization decreased reflecting accelerated amortization of intangible assets in 2013 and a lower capital base in 2014.
- New systems development and integration expenses decreased reflecting an increase in development costs that are eligible to be capitalized.
- Termination benefits decreased primarily due to the absence of significant staff reductions in 2014.
- Other expenses decreased due to the absence of a one-time provision in 2013 for Retails Sales Tax obligations related to prior years.

The following chart displays administration and other expenses and claim costs for the years ended December 31, 2014 and 2013:



Legislated obligations and funding commitments expenses

Legislated obligations and funding commitments expenses, before allocation to benefit costs, were $295 million, an increase of $9 million or 3.1%. A summary of changes for the years ended December 31 is as follows:

			Change	
(millions of Canadian dollars)	**2014**	**2013**	**$**	**%**
Legislated obligations				
Occupational Health and Safety Act	96	95	1	1.1
Ministry of Labour Prevention Costs	110	102	8	7.8
	206	197	9	4.6
Workplace Safety and Insurance Appeals Tribunal	21	22	(1)	(4.5)
Workplace Safety and Insurance Advisory Program	1	1	-	-
Office of the Worker Adviser	12	11	1	9.1
Office of the Employer Adviser	4	4	-	-
	38	38	-	-
Total legislated obligations	**244**	**235**	**9**	**3.8**
Funding commitments				
Safe Workplace Associations	-	(1)	1	(100.0)
Grants	1	2	(1)	(50.0)
Safety program rebates	50	50	-	-
Total funding commitments	**51**	**51**	**-**	**-**
	295	**286**	**9**	**3.1**
Claims administration costs allocated to benefit costs	(19)	(19)	-	-
Total legislated obligations and funding commitments	**276**	**267**	**9**	**3.4**

Legislated obligations and funding commitments expenses, before allocation to benefit costs, increased $9 million or 3.1%, reflecting an underspend by the MoL for unused expenses from their fiscal period ended March 2013.

5. Financial Condition

A discussion of the significant changes in our December 31, 2014 consolidated statements of financial position.

Changes in our consolidated statement of financial position are as follows:

			Change		
(millions of Canadian dollars)	**2014**	**2013**	**$**	**%**	**Commentary**
Assets					
Cash and cash equivalents	1,473	1,274	199	15.6	Increase due to continued improvements in operating performance. Refer to Section 8 – Liquidity and Capital Resources for details.
Receivables	1,511	1,339	172	12.8	Increase primarily reflects higher investment receivables.
Public equity securities	9,136	8,428	708	8.4	Increases due to changes in fair values. Refer to Section 4 – Operating Results for details.
Bonds	6,307	5,448	859	15.8	
Other invested assets	7,118	6,032	1,086	18.0	
Property and equipment	124	133	(9)	(6.8)	No significant changes.
Intangible assets	110	27	83	100+	Increase due to implementation of a new system.
Liabilities					
Payables and accruals	1,186	1,122	64	5.7	No significant changes.
Derivative liabilities	97	78	19	24.4	Increase reflects changes in our currency and futures positions within our investment portfolio.
Long-term debt	52	136	(84)	(61.8)	Decrease reflects loan retirement and principal repayments.
Loss of Retirement Income Fund liability	1,663	1,538	125	8.1	Increase reflects natural growth in account due to contributions and investment income.
Employee benefit plans liability	1,227	920	307	33.4	Increase reflects losses due to actuarial assumption changes and experience.
Benefit liabilities	26,800	26,960	(160)	(0.6)	No significant changes.
Unfunded liability	(7,890)	(10,467)	2,577	24.6	Total comprehensive income attributable to WSIB stakeholders.

6. Reconciliation of the Change in the Unfunded Liability

An explanation and discussion about the changes to the 2014 unfunded liability.

Premiums charged to employers are designed to offset the expected claims and associated administrative costs for injuries occurring in the current fiscal year and to retire our unfunded liability ("UFL") in accordance with *Ontario Regulation 141/12*. Accordingly, we assess our financial results for both the current injury year to ensure we are funding all current year costs as well as those of prior injury years to ensure we are taking appropriate steps to retire our UFL in accordance with our statutory requirements.

Set forth below is a segmentation of our operating results between the "Current injury year" or 2014 and "Prior injury years".

(millions of Canadian dollars)	**Total**	**Current injury year**	**Prior injury years**
Revenues			
Premiums[1]	4,628	2,911	1,717
Net mandatory employer incentive programs[2]	(124)	-	(124)
	4,504	2,911	1,593
Net investment income[3]	1,927	100	1,827
	6,431	**3,011**	**3,420**
Expenses			
Benefit costs			
Benefit payments[4]	2,420	167	2,253
Claim administration costs[5]	363	167	196
Change in actuarial valuation of benefit liabilities[6]	(160)	1,374	(1,534)
	2,623	**1,708**	**915**
Loss of Retirement Income Fund contributions[7]	59	-	59
Administration and other expenses[8]	358	358	-
Legislated obligations and funding commitments[9]	276	276	-
	3,316	**2,342**	**974**
Remeasurement of employee defined benefit plans[10]	(296)	(15)	(281)
Total comprehensive income	**2,819**	**654**	**2,165**
Non-controlling Interests[11]	(242)	(12)	(230)
Total comprehensive income attributable to WSIB stakeholders	**2,577**	**642**	**1,935**

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1. Calculated based on new claim and administration and other costs for the 2014 injury year.
2. Represents retrospective refunds arising from favourable experience for prior years.
3. The estimated current injury year's net investment income is calculated based on net cash flow reflecting premium revenues not required for benefit payments in the current injury year.
4. Determined based on injury year for each payment.
5. Current year claims administration costs are calculated by applying appropriate expense factors to actual claims cash flows for the 2014 injury year.
6. Determined based on opening and closing liabilities by injury year.
7. Payments relate to prior years as Loss of Retirement Income Fund contributions are only made once a worker has been injured and on benefits for more than one year.
8. Costs attributed solely for the current year.
9. Relates entirely to current year.
10. Relates primarily to prior injury years.
11. Same proportionate split as net investment income.

As noted above, premium revenues for the current injury year were sufficient to offset current year injury and administration costs. We believe this result reflects our disciplined approach to premium rate setting and strong oversight of benefits and administration cost management. In addition, as a result of favourable claims experience and investment returns, we were able to make demonstrable progress towards retiring the UFL.

Set forth below is a reconciliation of the movement in the UFL in 2014 reflecting actuarial gains and losses as well as assumption and actuarial standard changes. A more detailed discussion of the actuarial gains and losses are contained in note 19 of the consolidated financial statements.

(millions of Canadian dollars)	
Unfunded liability as at December 31, 2013	**10,467**
Interest carrying charge on UFL[1]	523
Premium payment to reduce UFL	(1,717)
Expected UFL at December 31, 2014	9,273
Gain from investment return higher than expected[2]	(1,067)
Loss from remeasurement of employee benefit plans	510
Gains and losses on claims/operations	
Current year claims cost lower than expected	(727)
Net mandatory employer incentive programs	124
Prior year claims cost lower than expected	(1,260)
Net actual gains	(2,420)
Changes in assumptions for future cost on existing claims	
Changes in methods and assumptions for loss of earnings benefits	(22)
Changes in methodology for future awards	64
Changes in average awards	92
Changes in occupational disease assumptions and methods	127
Change in discount rate	569
Net liability increase from assumption changes	830
Actuarial standard change	
Increased liability for occupational disease exposure	86
Legislation changes	
Presumptive cancers for firefighters	121
Unfunded liability as at December 31, 2014	**7,890**

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1. The UFL represents the shortfall of current asset values from the discounted value of expected future payments in respect of injuries occurring in previous injury years. This shortfall represents an interest cost and must be taken into account in this reconciliation.
2. The expected investment return in 2014 was 5%. Investment experience, on an actuarial basis, was better than expected during 2014, leading to additional investment gains which also contributed to a reduction in the UFL.

As noted above, the UFL decreased $2,577 million in 2014 reflecting both strong operating performance and favourable claims experience relative to our long-term expectations. We continue to closely monitor these factors to ensure we achieve our legislated funding obligations.

7. Summary of Quarterly Results

A summary view of our quarterly financial performance.

Selected financial information for the eight consecutive quarters ended December 31, 2014 is as follows:

	2014				2013			
(millions of Canadian dollars)	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Net premiums	1,164	1,120	1,093	1,127	1,074	1,149	1,113	1,091
Net investment income (loss)	554	145	519	709	894	532	(106)	722
Benefit costs								
Benefit payments	610	586	612	612	629	613	636	640
Claim administration costs	68	100	93	102	92	109	118	109
Change in actuarial valuation of benefit liabilities	(153)	(216)	111	98	(330)	(100)	144	196
	525	470	816	812	391	622	898	945
Loss of Retirement Income Fund contributions	15	14	15	15	15	16	15	16
Administration and other expenses	131	68	84	75	144	85	84	84
Legislated obligations and funding commitments	56	72	72	76	52	72	64	79
Excess (deficiency) of revenues over expenses	991	641	625	858	1,366	886	(54)	689
Remeasurements of employee defined benefit plans (Other comprehensive income (loss))	34	(75)	(114)	(141)	308	202	224	106
Total comprehensive income	1,025	566	511	717	1,674	1,088	170	795
Total comprehensive income attributable to WSIB stakeholders	958	545	445	629	1,563	1,020	178	702
Other measures								
Core Earnings[1]	284	280	217	247	142	254	196	163
Unfunded liability[2]	7,890	8,848	9,393	9,838	10,467	12,030	13,050	13,228
Return on investments (%)[3]	2.7	0.8	2.6	3.8	5.0	3.1	(0.5)	4.5

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1. Core Earnings is calculated as total comprehensive income excluding the impacts of net investment income (loss), changes in actuarial valuations and any items that are considered as material and exceptional in nature. See Section 16 – Non-IFRS Financial Measure.
2. Unfunded liability represents the deficiency of net assets attributable to WSIB stakeholders as at the end of the reporting period. The total deficiency of assets of $5,246 million as at December 31, 2014 (December 31, 2013 – $8,073 million) is allocated between the WSIB stakeholders and the non-controlling interests ("NCI") on the basis of their proportionate interests in the net assets of the WSIB. NCI represent the proportionate interest of the net assets and total comprehensive income of subsidiaries in which the WSIB directly or indirectly owns less than 100% interest. NCI of $2,644 million as at December 31, 2014 (December 31, 2013 – $2,394 million) excludes benefit liabilities since the holders of NCI, the WSIB Employees' Pension Plan and other investors are not liable for those obligations. The proportionate share of the total deficiency of assets attributable to WSIB stakeholders as at December 31, 2014 was $7,890 million (December 31, 2013 – $10,467 million) which includes benefit liabilities. Refer to the consolidated statements of financial position for further details.
3. Return on investments is calculated as the change in the fair value of the total investment portfolio, taking into account capital contributions and withdrawals, prior to investment expenses. Does not equal annual figures due to rounding.

Notable items affecting our fourth quarter 2014 results compared to the fourth quarter 2013 are as follows:

- Premiums were $1,164 million compared to $1,074 million, an increase of $90 million or 8.4%, reflecting an $82 million increase in gross premiums and a $13 million decrease in our mandatory employer incentive programs, offset by a $5 million decrease in other items.
- Net investment income was $554 million representing a 2.7% return on investments compared to $894 million and a 5.0% return, a decrease of $340 million primarily attributed to lower income from public equities.
- Benefit payments were $610 million compared to $629 million, a decrease of $19 million or 3.0%, reflecting improved recovery and return to work outcomes for injured workers.
- Claim administration costs were $68 million compared to $92 million, a decrease of $24 million or 26.1% representing the allocations of administration and other expenses and legislated obligations and funding commitments expenses to benefit costs.
- The change in actuarial valuation of benefit liabilities decreased $153 million compared to a decrease of $330 million, reflecting the continuation of favourable experience results, partially offset by changes in valuation assumptions and methodologies.
- Administration and other expenses, before allocation to benefit costs, were $180 million compared to $217 million, a decrease of $37 million or 17.1%, reflecting a $29 million decrease attributed to lower long-term employee benefit plan expenses, a $9 million decrease in new systems development and integration expenses and an $8 million decrease in other operating expenses, partially offset by a $9 million increase in salaries and short-term benefits.
- Legislated obligations and funding commitments, before allocation to benefit costs, were $75 million compared to $71 million, an increase of $4 million or 5.6%, reflecting higher MoL prevention expenses.

Our quarterly revenues and expenses are impacted by a number of trends and recurring factors such as seasonality as well as general economic and market conditions. Seasonal factors impact our premium revenues, particularly in the construction industry, which had higher insurable earnings in 2014 due to increased construction projects supported by strengthening economic conditions. Our premium revenues are also impacted by insurable earnings, which rise and fall with the employment levels in the industries we insure. Additionally, net investment income is influenced by global capital markets and has been volatile on a quarterly basis. We anticipate the volatility in net investment income will continue into 2015.

Refer to Section 4 – Operating Results for a discussion of the current annual results.

8. Liquidity and Capital Resources

A discussion of cash flow, liquidity, credit facilities and other arrangements.

The purpose of liquidity management is to ensure there is sufficient cash to meet our financial commitments and obligations as they fall due. We believe we have the flexibility to obtain, from current cash holdings and ongoing operations, the funds needed to fulfill our cash requirements during the current financial period. We have three sources of funds: (i) premiums charged to employers; (ii) investment income; and (iii) cash and short-term investments.

Our funds are primarily used to satisfy benefit payments and operating expenses. As at December 31, 2014, we held $1,473 million of cash and cash equivalents of which $929 million was held for investing purposes, $354 million was held for operating purposes, and $190 million was held in our Loss of Retirement Income Fund on behalf of injured workers.

(millions of Canadian dollars)	**2014**	**2013**
Cash and cash equivalents, beginning of year	1,274	1,331
Cash provided by operating activities	1,036	821
Cash required by investing activities	(801)	(865)
Cash required by financing activities	(36)	(13)
Cash and cash equivalents, end of year	**1,473**	**1,274**

For the year ended December 31, 2014, cash provided by operating activities was $1,036 million compared to $821 million in 2013 reflecting continued improvements in operating performance. Cash required by investing activities was $801 million compared to $865 million in 2013 primarily reflecting a decrease in the net purchases of investments, partially offset by an increase in the purchases of intangible assets. Cash required by financing activities was $36 million compared to $13 million in 2013 mainly due to repayment of long-term debt.

Credit facilities

We maintain a $150 million unsecured line of credit with a commercial bank for general corporate purposes. As at December 31, 2014, we had not utilized any of this credit facility.

Commitments

a) Operating leases

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

(millions of Canadian dollars)	**Minimum lease payments**
Not later than one year	15
Later than one year and not later than five years	38
Later than five years	30
	83

b) The WSIB had the following commitments related to its investment portfolio:

(millions of Canadian dollars)	**2014**	**2013**
Real estate, multi-asset and infrastructure investments	948	606
Investments in associates and joint ventures	127	198
Purchases or development of investment properties	8	197
	1,083	**1,001**

c) Other commitments

At December 31, 2014, the WSIB has additional commitments going forward under non-cancellable contracts for purchases of goods and services with minimum future payments of approximately $113 (2013 – $149).

9. Critical Accounting Estimates and Judgments

A description of the critical accounting estimates and judgments that affect the measurement and presentation within the consolidated financial statements.

The WSIB is required to apply judgment when making estimates and assumptions that affect the reported amounts recognized in the consolidated financial statements. These estimates have a direct effect on the measurement of transactions and balances recognized in the consolidated financial statements, and actual results could differ from those estimates. Estimates are reviewed on an ongoing basis, with any related revisions recorded in the period in which they are adjusted.

In addition, the WSIB has made judgments, aside from those that involve estimates, in the process of applying its accounting policies. These judgments can affect the amounts recognized in the consolidated financial statements.

Benefit liabilities

Benefit liabilities represent the actuarially determined present value of estimated future payments for reported and unreported claims incurred on or prior to the reporting date, including claims in respect of occupational diseases currently recognized by the WSIB. The measurement of benefit liabilities requires the actuary to make estimates and assumptions for a number of factors, including those for claim duration, mortality rates, wage escalation, general inflation and discount rates. Changes in these estimates and assumptions could have a significant impact on the measurement of benefit liabilities and benefit costs.

Employee benefit plans

The costs and liabilities associated with defined benefit pension plans and other long-term employee benefit plans are determined in accordance with actuarial valuations. The actuarial valuations rely on estimates and assumptions including those for wage escalation, expected return on plan assets, health care and dental cost inflation, retirement ages, life expectancies and discount rates. Changes in these estimates could have an impact on the employee benefit plans liability and total comprehensive income.

Fair value measurement of financial instruments

Where possible, the fair value of publicly traded financial instruments is based on quoted market prices. The fair value for a substantial majority of financial instruments is based on quoted market prices or valuation models that use observable market inputs such as interest rate yield curves. Valuation models incorporate prevailing market rates and may require estimates for economic risks and projected cash flows. Note 21 of the consolidated financial statements provides the estimated fair values of financial instruments categorized by the nature of the inputs used in the valuation techniques.

Fair value measurement of investment properties

The WSIB's investment properties are owned indirectly through subsidiaries or joint operations. Investment properties are re-measured to fair value at each reporting date, estimated based on the annual valuations performed by independent qualified appraisers. The annual third-party appraisals are performed at varying dates through the year; at each reporting date the fair value of investment properties is updated based on valuation models incorporating available market evidence. When estimating the fair value of investment properties, estimates and assumptions are made that have a significant effect on the reported value of investment properties. Estimates and assumptions used in determining the fair value of the investment properties include discount and terminal capitalization rates, inflation rates, vacancy rates and future net cash flows of the property.

10. Changes in Accounting Policies

The WSIB has applied the following amended accounting standard, effective January 1, 2014. The resulting changes in accounting policies have been made in accordance with the applicable transitional provisions.

IAS 32 Financial Instruments Presentation ("IAS 32")

The amendments to IAS 32 clarify the existing requirements for offsetting financial instruments. These amendments did not have a significant impact to the WSIB's consolidated financial statements.

11. Future Changes in Accounting Standards

The following new or amended accounting standards have been issued by the International Accounting Standards Board ("IASB"). These new or amended standards are not yet effective and the WSIB has not completed its assessment of their impact on its consolidated financial statements.

IAS 19 *Employee Benefits* ("IAS 19")

Amendments to IAS 19 were issued in November 2013, which will be effective for the WSIB beginning January 1, 2015 on a retrospective basis.

The amendments to IAS 19 clarify the accounting for contributions by employees or third parties to defined benefit plans.

IFRS 9 *Financial Instruments* ("IFRS 9")

In July 2014, the IASB issued IFRS 9 which will replace IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 will be effective for the WSIB beginning January 1, 2018 on a retrospective basis.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or at fair value, replacing the multiple classifications in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The standard also includes guidance on the classification and measurement of financial liabilities, which largely carries forward the existing requirements in IAS 39.

The standard introduces a new single model for the measurement of impairment losses on all financial instruments subject to impairment accounting. The expected credit loss model replaces the current "incurred loss" model and is based on a forward looking approach.

IFRS 9 also introduces a new hedge accounting model that is more closely aligned with risk management activities.

IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15")

IFRS 15 was issued in May 2014 and the effective date for the WSIB will be January 1, 2017, using either a full retrospective approach or a modified retrospective approach. The new standard, which replaces the existing standards for revenue recognition, establishes a framework for the recognition and measurement of revenues generated from contracts with customers, except for items such as financial instruments, insurance contracts and leases. The WSIB revenues are mainly from financial instruments and insurance contracts and, consequently, are not in scope of IFRS 15.

Exposure drafts

a) Insurance contracts

In June 2013, the IASB issued a revised exposure draft containing proposals for significant changes to the existing recognition, measurement, presentation and disclosure requirements for insurance contracts. The IASB continues to work on these proposals with the objective of finalizing a new standard to replace IFRS 4 *Insurance Contracts*. This is an important standard that is expected to have a significant effect on the WSIB's consolidated financial statements, primarily as it relates to the measurement of benefit liabilities. The new standard is not expected to be issued in 2015.

b) Other

The IASB regularly issues exposure drafts with proposals for new standards or amendments to existing standards. The WSIB's consolidated financial statements do not include disclosure of all exposure drafts issued by the IASB.

12. Legal Contingencies

A discussion of our legal proceedings, claims and other legal contingencies.

The WSIB is engaged in various legal proceedings and claims that have arisen in the ordinary course of business, the outcome of which is subject to future resolution. Based on information currently known to the WSIB, management believes the probable ultimate resolution of all existing legal proceedings and claims will not have a material effect on the WSIB's financial position.

The WSIB has provided formal written indemnities to its current and former directors to indemnify them, to the extent permitted by law, against any and all charges, costs, expenses, and amounts paid in settlement and damages incurred as a result of any lawsuit or any other judicial, administrative or investigative proceeding in which they are involved as a result of their services.

Additionally, the WSIB has purchased directors' and officers' liability insurance. The WSIB also indemnifies and provides legal representation to all its employees, former employees and persons engaged by the WSIB to conduct an examination, test, enquiry or other authorized function in legal proceedings arising out of alleged acts or omissions in the performance of their duties, provided the person has acted honestly and in good faith.

Also, in the normal course of operations, the WSIB may enter into contractual arrangements with external parties that involve promises to indemnify the other party under certain circumstances. As part of its investment function, the WSIB may also provide indemnification agreements to counterparties that would require the WSIB to compensate them for costs incurred as a result of changes in laws and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnification arrangements will vary.

13. Outlook

The outlook for our business.

The following contains forward-looking statements about the outlook for our business. Reference should be made to Section 18 – Forward-Looking Statements at the end of this MD&A. For a description of risk factors that could cause our actual results to differ materially from the forward-looking statements, please also see Section 15 – Risk Factors in this MD&A and note 23 – Financial Risk Management in our consolidated financial statements.

Premiums

Premium revenues are anticipated to increase modestly reflecting an assumed 1.0% increase in employment growth and a 2.0% increase in average wages, partially offset by $8 million of higher net mandatory employer incentive programs expense. While average premium rates in 2015 are anticipated to remain unchanged from the prior year, employers continue to contribute towards retiring the unfunded liability.

Net investment income

Net investment income is anticipated to reflect a 6.0% return on assets, consistent with our long-term planning assumption. We will continue to implement our Strategic Investment Plan in a way that permits us to take advantage of investment opportunities without exposing us to a higher level of volatility and corresponding investment risk.

Benefit payments

Benefit payments are anticipated to be $2.4 billion in 2015, approximating the level of benefit payments in 2014. We caution readers that the level of benefit payments may rise in the event that new types of compensable claims are promulgated.

Administration and other expenses

Administration and other expenses are anticipated to increase modestly in 2015 reflecting increases to the pension liability and higher new systems development and integration expenses as a result of our transformational efforts.

Legislated obligations and funding commitments

Legislated obligations and funding commitments are anticipated to be $285 million, an increase of $9 million or 3.3% reflecting an increase in safety program rebates.

Unfunded liability

We anticipate the unfunded liability will continue to decrease, based on current funding and benefit levels, and as measured under current accounting and actuarial standards as a result of continued operational excellence.

14. Internal Control over Financial Reporting

A statement of responsibilities regarding internal control over financial reporting.

Management is responsible for the accuracy, integrity and objectivity of the consolidated financial statements within reasonable limits of materiality. The WSIB's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. Management is also responsible for the preparation and presentation of additional financial information included in the annual report and ensuring its consistency with the consolidated financial statements.

15. Risk Factors

A discussion of the more significant risk factors affecting our business.

Introduction

We face a number of different risks and uncertainties that expose us to possible losses. Set forth below are those risks and uncertainties that we currently believe to be material. They are not, however, the only risks and uncertainties we face. If any of these risks (or any other risks and uncertainties that we have not yet identified, or that we currently consider not to be material) actually occur or become material, our business prospects, financial condition, results of operations and cash flows could be adversely affected. The WSIB has implemented an Enterprise Risk Management program that monitors and reports on key enterprise risks regularly and risk management is integrated into business planning. While we employ a broad and diversified set of risk mitigation techniques, those techniques and the judgments that accompany their application cannot anticipate every outcome or the specifics and timing of such outcomes.

Below are the financial, operational, regulatory and political risks we monitor and mitigate within our span of control.

Financial risks

Benefit liabilities determination and Premium rates setting

The WSIB, as the trust agency for administering the Province's compensation system, must utilize prudent assumptions during the premium rates setting process to ensure that the provision of funds is adequate to cover all future costs for accidents arising in each injury year. Benefit liabilities, required to cover the ultimate benefits to be paid on reported and unreported claims, are calculated using sound actuarial practices to estimate costs based on a number of factors. (See Section 9 – Critical Accounting Estimates and Judgments).

Establishing an appropriate level of benefit liabilities is, therefore, an inherently uncertain process which presents a number of risks that could adversely affect our comprehensive income and financial condition.

The risks are predominantly related to:

- the failure to accurately make assumptions and assess the factors of claims costs which may result in setting premium rates that are inadequate to cover costs and contribute to the reduction of the unfunded liability; and
- unforeseen changes in the future claims experience could render our estimates inaccurate.

We mitigate these risks:

- by utilizing both proprietary and commercially available actuarial models and assessing historical loss development patterns;
- with regular, ongoing reviews and re-evaluation of claims and their impact on the estimate of the benefit liabilities;
- by engaging external actuaries to review actuarial assumptions and methodologies in establishing benefit liabilities and premium rates; and
- by reviewing actuarial related matters at regular meetings with our Actuarial Advisory Committee and Chief Statistician.

Investment risks

Our ability to meet our long-term obligations is dependent upon the sufficiency of our investment fund. The risks to our investment fund relate to liquidity, credit and the market. Our primary investment risk is that investment returns, taken together with a reasonable and sustainable level of contributions, are insufficient to meet the long-term obligations for which the investment fund is established. This risk would be manifest in the failure to achieve a net return of at least the long-term actuarial discount rate of 5.25% (4.75% to 2017 and 5.25% thereafter) over a horizon of rolling 10 to 15 year periods.

Our primary risk mitigation tool is the diversification of investment return sources as provided for in our Statement of Investment Policies and Procedures, which is presented annually to the Board of Directors for their approval.

Liquidity risk

Liquidity risk is the risk that we will encounter difficulty in meeting obligations associated with financial liabilities.

We mitigate this risk by:

- investing the majority of our assets in readily marketable instruments (publicly traded equity and fixed income securities) while the remainder of our investments are in multi-asset, real estate and infrastructure investments that provide diversification;
- maintaining a portion of our investments in short-term (less than one year) highly liquid money market securities, which are used to manage our operational requirements; and
- maintaining a $150 million unsecured credit facility, which we can utilize to manage our liquidity needs.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. We are exposed to several types of credit risks including:

- risk that our fixed income investments, consisting primarily of investment grade debt instruments, may become impaired;
- counterparty risk relating to our securities lending and foreign currency programs;
- credit loss due to Schedule 1 employers not settling their premiums receivable and Schedule 2 employers not reimbursing the WSIB for their respective claim costs; and
- the risk that the Canadian life insurance companies, that enter into annuity agreements with the WSIB to provide for fixed and recurring payments to claimants, may fail to fulfill their obligations.

We manage our credit risk by:

- holding a diversified portfolio of debt instruments including a predominant component that is invested in government-issued bonds, to mitigate the risks of defaulting fixed income investments;
- mitigating securities lending counterparty risk through adopting a pre-approved qualified borrower list and through exposure limits; by requiring daily marking-to-market to maintain full collateralization with an additional margin for safety; and receiving indemnities from the financial institution that operates the securities lending program;
- mitigating foreign currency counterparty risk through an approved list of counterparties, credit rating limits, counterparty diversification and frequency of settlements; and
- holding collateral from some Schedule 2 employers in the form of letters of credit issued by highly rated Canadian financial institutions.

Market risk

There are three types of market risk that we are exposed to including currency risk, interest rate risk and price risk:

- currency risk is the risk of loss due to adverse movements in foreign currency rates relative to the Canadian dollar;
- interest rate risk is the potential for financial loss arising from changes in interest rates; and
- price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

We apply various measures to mitigate these risks:

- using foreign exchange contracts to hedge a portion of currency exchange rate risk associated with certain foreign investment holdings. Foreign exchange contracts are agreements to exchange an amount of one currency for another at a future date and at a set price, agreed upon at the contract inception;
- reviewing interest rate risk through periodic asset and liability analyses, which assess the impact of different interest rate scenarios on our assets and liabilities over a period of time. Interest rate risk is mitigated primarily through asset allocation, which aims to diversify the WSIB's exposure to the impact of changes in interest rate levels; and
- diversifying our investment portfolio in accordance with our investment policies. Concentration risk arises from the exposure of investments in one particular issuer, a group of issuers, a geographic region, or a sector. These groups share similar characteristics such as type of industry and economic and political conditions, which may impact the issuers' ability to meet contractual commitments.

Operating risks

Strategy

Potential risks to our strategy include factors such as:

- project implementation delays, unforeseen costs and changes in scope; and
- organizational capacity insufficient to support strategic initiatives while meeting the demands of ongoing operations.

To help mitigate these risks, we have established:

- a corporate business plan that establishes priorities and an enterprise road map to ensure that we have the right resources dedicated to executing the plan effectively and efficiently;
- a project portfolio governance framework to ensure project-management rigour and management accountability; and
- regular and ongoing stakeholder engagement to provide feedback, keep us informed, and provide opportunities for developing solutions.

Economic conditions and labour market changes

Given the WSIB's mandate to deliver a no-fault insurance plan, funded predominantly by premium revenues, the WSIB is inherently subject to economic risks, which include:

- low or modest growth in the Province's employment levels, especially in covered industries, may result in not meeting premium revenue targets as well as limiting work transition opportunities;
- the growth in industries that are not required to have coverage under the WSIA may negatively impact the compensation system;

- the trend toward casual, part-time and temporary work may result in return to work challenges and, therefore, longer duration on benefits; and
- a growing number of older workers in the workforce. If injured, they generally have a longer recovery time and greater challenge with return to work.

We mitigate these risks by:

- conducting economic forecasting to better project the level of future insurable earnings and employment levels within the underlying industry sector;
- continuous monitoring and researching the job market for available, sustainable positions for injured workers ready to transition to the job market; and
- providing return to work and health care intervention programs to support injury recovery and sustainable return to work.

Claims management

Operational performance is reflected in how efficiently and effectively cases are managed and how closely their outcomes meet operational objectives. A number of risks can impact negatively on performance including:

- any rise in the lost-time injury rate will result in an increased volume of incoming claims and increased pressure on front-line resources;
- unexpected sources, volume or complexity of claims may arise, such as those arising from certain occupational diseases potentially putting increased cost pressure on the system;
- the development and implementation of transformation initiatives will put strain on organizational capacity and performance while front-line staff are focused on developing, and then adapting to, new systems and processes; and
- any operating impacts causing delays in timely health care treatment and return to work services would increase the potential for longer claim durations, development of permanent impairments and ultimately increased claims costs.

We mitigate these risks by:

- supporting the reduction of workplace injuries and illnesses through our participation on the Chief Prevention Officer's Prevention Council; the provision of data to aid in the identification of priorities, and the provision of funding for the administration of the OHSA and support of the Province's health and safety associations and research;
- regularly monitoring and prioritizing project and operational needs to maximize organizational capacity; and
- monitoring the quality and timeliness of services through a series of key performance measures and taking corrective action when trending of results is not in line with expectations.

Business interruption

Our stakeholders rely on our ability to provide services and operate our systems, without interruption. Our continuity of business may be subject to a number of risks such as:

- unforeseeable and/or catastrophic events to resources or infrastructure, such as an infectious disease or a power failure, may abruptly interrupt business activities and result in losses that could be related to financial assets and key personnel;
- ongoing reliance on older system technology and inefficient back-up procedures to support core business activities that could result in impacts to our operations and in the potential service interruption or loss of critical information should those systems fail; and

- if our business continuity plans are inadequate, losses may increase further.

In order to mitigate the risks and maintain the integrity and continuity of our operations in the event of a crisis:

- further investment of funds, resources and systems will be necessary in order to fully develop and implement a Disaster Recovery Plan (the "DRP"). The DRP will need to operate in conjunction with a *systems modernization plan that is currently being developed by the Information Technology Cluster;*
- we have an Enterprise Business Continuity Plan and Program in place to ensure we can continue to operate during business disruptions or emergencies; and
- we are in the process of building replacement systems with planned robust recovery capabilities, implementation commenced in the first quarter of 2014 and continued throughout the year.

Our workforce and workplace

We remain actively engaged in transforming our business and ensuring we have the right people, work processes and technology to support our vision. The transformation is part of our long-term business strategy to modernize the WSIB and become a more effective and efficient organization, delivering increased value to Ontario employers and workers.

Important elements in realizing organizational outcomes include our ability to attract and retain skilled resources now and in the future, and the ability of WSIB leadership to lead organizational change. Without these components, the organization risks slowed or less sustainable transformation.

These risks are being mitigated through:

- delivery of a human resources strategy that supports and facilitates the transformation of the workplace and workforce including:
    - development of a rewards strategy and associated recommendations for aligned compensation, pension, and benefits program; and
    - building leadership capacity through structured succession planning, management development programs and through the provision of targeted leader support throughout the transformation process;
- strengthening and expanding our organizational foundation of health, safety, and wellness through the development of an integrated mental health strategy and enhancement of our security and safety culture.

Technology

Given the high volume of transactions processed daily, we are reliant on technology and third parties that provide certain key components of our business infrastructure such as voice and data communications and network access. This presents a number of risks for the WSIB, mainly:

- a security breach of our information systems could put sensitive data at risk, and result in reputational risk and potential liability given that they are used to maintain confidential information regarding our business, injured workers and employer firms; and
- failure of our technology and third-party systems could interrupt our operations and impact our ability to deliver services and benefits.

To mitigate these risks:

- we have taken steps to secure our facilities and infrastructure with a series of security protocols for accessing technology;
- we ensure that third parties are legally bound to the WSIB's standards and requirements for security of systems, privacy, and strict confidentiality of information through contractual protection;

- our staff have been provided training to ensure hardware and mobile devices are not compromised in the event they are stolen, lost or accessed without authorization; and
- the WSIB and third party providers have contingency plans for ensuring continued operations should any of their systems fail.

Regulatory, political and other influences

Our business is subject to changing legal, regulatory and other influences. Any amendments to the WSIA or other legislation could require the WSIB to make adjustments. For example, such changes can have an impact on the way we deliver services or the services themselves. This may require the dedication of WSIB resources to implement new systems or processes. Further, political and stakeholder influences and competing interests may impact our ability to make timely changes to policy or operational programs and processes, or may introduce new changes not planned or contemplated by the WSIB.

We mitigate these risks by:

- engaging with the MoL to provide input into any legislative or regulatory changes and to determine the potential impact to outcomes and capacity;
- accurately costing any legislative or regulatory changes to ensure that the impact of any change is fully understood;
- consulting with stakeholders as appropriate, such as in the cases of WSIB-initiated regulatory changes, as well as WSIB policy changes; and
- ensuring that any changes to existing policies and programs are developed and implemented to align with our value propositions and organizational capabilities.

16. Non-IFRS Financial Measure

A definition of our non-IFRS financial measure.

Core Earnings

The WSIB utilizes "Core Earnings", a non-IFRS financial measure, to help stakeholders better understand our underlying operating performance. This measure is relevant in how we manage our operations and offers a consistent methodology in evaluating our underlying performance. Core Earnings are defined as total comprehensive income excluding the impacts of investment income, changes in actuarial valuation and any items that are considered as material and exceptional in nature. This measure does not have any standard meaning prescribed by IFRS and is not necessarily comparable to similarly titled measures of other organizations.

Set forth below is the reconciliation of Core Earnings and total comprehensive income, the most directly comparable financial measure calculated and presented in consistent with IFRS:

(millions of Canadian dollars)	**2014**	**2013**
Total comprehensive income for the year	2,819	3,727
Less: Net investment income	(1,927)	(2,042)
(Less)/Add: Change in actuarial valuation of benefit liabilities	(160)	(90)
(Less)/Add: Change in actuarial valuation of employee benefit plans	296	(840)
Core Earnings	**1,028**	**755**

17. Related Party Transactions

A discussion of related party transactions and their relationship to our business.

The WSIB is a trust agency of the Government of Ontario, responsible for administering the WSIA. As such, the WSIB is considered a government-related entity and is provided partial exemptions under IFRS from its disclosure of transactions with the Government of Ontario and its controlled ministries, agencies, and Crown corporations.

Pursuant to the WSIA, the WSIB is required to reimburse the Government of Ontario for all administrative costs of the OHSA. The WSIB is also required to fund the WSIAT and the offices of each of the Worker and Employer Adviser. These reimbursements and associated amounts charged to employers are determined and approved by the Minister. The WSIB is also committed to providing funding for the Institute for Work and Health and the Safe Workplace Associations, clinics, and training centres. The total funding provided under these legislated obligations and funding commitments for the year ended December 31, 2014 was $245 million (2013 – $236 million).

The WSIB is required to reimburse the Ministry of Health and Long-Term Care (the "MOHLTC") for physicians' fees for services to injured workers, as well as an administrative fee to the MOHLTC. Amounts paid to the MOHLTC for physicians' fees and administrative services for the year ended December 31, 2014 were $37 million (2013 - $38 million).

In addition to legislated obligations and workplace health and safety expenses, which the WSIB collectively presents as legislated obligations and funding commitments expenses in the consolidated statements of comprehensive income, the consolidated financial statements include amounts resulting from transactions conducted in the normal course of operations with various controlled ministries, agencies, and Crown corporations of the Government of Ontario.

Included in investments are marketable fixed income securities issued by the Government of Ontario and related entities valued at $1,394 million (December 31, 2013 – $1,083 million).

18. Forward-looking Statements

Caution regarding forward-looking statements.

This MD&A constitutes "forward-looking statements," within the meaning of applicable Canadian securities laws. Forward-looking statements can be identified by the use of words, such as "anticipates," or "believes," "budget," "estimates," "expects," or "is expected," "forecasts," "intends," "plans," "scheduled," or variations of such words and phrases or state that certain actions, events or results "could," "may," "might," "will," "would," or be taken, occur or be achieved. These forward-looking statements relate to, among other things, our future results, levels of activity, performance, goals or achievements or other future events. These forward-looking statements are based on current expectations and various assumptions and analyses made by us in light of our experience and our perceptions of historical trends, current conditions and expected future developments and other factors we believe are appropriate in the circumstances. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in our forward-looking statements.

These factors may cause our actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. Forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made have on our business. For example, they do not include the effect of asset impairments or other changes announced or occurring after the forward-looking statements are made. The financial impact of such transactions and non-recurring and other special items can be complex and necessarily depends on the facts particular to each of them.

We believe that the expectations represented by our forward-looking statements are reasonable, yet there can be no assurance that such expectations will prove to be correct. The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding our anticipated financial performance and may not be appropriate for other purposes. Furthermore, unless otherwise stated, the forward-looking statements contained in this report are made as of the date of this report and we do not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise unless required by applicable legislation or regulation. The forward-looking statements contained in this document are expressly qualified by this cautionary statement.

RESPONSIBILITY FOR FINANCIAL REPORTING

Role of Management

The accompanying consolidated financial statements are the responsibility of the management of the Workplace Safety and Insurance Board (the "WSIB") and have been prepared in accordance with International Financial Reporting Standards. The consolidated financial statements include amounts based on management's best estimates and judgments.

Management is responsible for the preparation and fair presentation of these consolidated financial statements and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors has established an Audit and Finance Committee to oversee that management fulfills these responsibilities. The Audit and Finance Committee meets periodically with management, internal auditors, and external auditors to oversee that their responsibilities are properly discharged with respect to the application of critical accounting policies, consolidated financial statement presentation, disclosures, and recommendations on internal controls.

Role of the Chief Actuary

With respect to the preparation of the consolidated financial statements, the Chief Actuary works with the WSIB actuarial staff to prepare a valuation, including the selection of appropriate assumptions applicable to the WSIB's benefit liabilities at the consolidated statement of financial position date to determine the valuation of benefit liabilities. Additionally, the Chief Actuary provides an opinion to the Board of Directors regarding the appropriateness of the benefit liabilities recorded by management of the WSIB at the date of the consolidated statement of financial position. The work to form that opinion includes an examination of the sufficiency and reliability of data and a review of the valuation processes. The Chief Actuary is responsible for assessing whether the assumptions and methods used for the valuation of the benefit liabilities are in accordance with accepted actuarial practice, applicable legislation, and associated regulations and directives. In performing the valuation of these liabilities, which are by their very nature inherently variable, the Chief Actuary makes assumptions as to future interest and mortality rates, expenses, related trends, and other contingencies, taking into consideration the circumstances of the WSIB. It is certain that the benefit liabilities will not develop exactly as projected and may, in fact, vary significantly from the projections. Further, the projections make no provision for future claim categories not sufficiently recognized in the claims experience and inventories. The Chief Actuary's report outlines the scope of the valuation and his opinion.

Role of the External Auditors

The external auditors, Ernst & Young LLP, working under the direction of the Auditor General of Ontario, have performed an independent and objective audit of the consolidated financial statements of the WSIB in accordance with Canadian generally accepted auditing standards. In carrying out their audit, the external auditors make use of the work of the Chief Actuary and his report on the benefit liabilities of the WSIB. The external auditors have full and unrestricted access to the Board of Directors and the Audit and Finance Committee to discuss audit, financial reporting, and related findings. The external auditors' report outlines the scope of their audit and their opinion on the consolidated financial statements of the WSIB.

Thomas Teahen
President and Chief Executive Officer
April 21, 2016
Toronto, Ontario

Pamela Steer
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Workplace Safety and Insurance Board,
The Minister of Labour and the Auditor General of Ontario

Pursuant to the Workplace Safety and Insurance Act, 1997 (Ontario), which provides that the accounts of the **Workplace Safety and Insurance Board** (the "WSIB") shall be audited by the Auditor General of Ontario or under his direction by an auditor appointed by the Lieutenant Governor in Council for that purpose, we have audited the accompanying consolidated financial statements of the WSIB, which comprise the consolidated statement of financial position as at December 31, 2014, the consolidated statements of comprehensive income, changes in deficiency of assets, and cash flows for the year then ended December 31, 2014, and the notes to the financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the WSIB as at December 31, 2014 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Amended consolidated financial statements and restated comparative information

Without modifying our opinion, we draw attention to Note 26 of the consolidated financial statements which explains that the consolidated financial statements for the year ended December 31, 2014 have been amended from those on which we originally reported on April 23, 2015 and which also explains that certain comparative information for the year ended December 31, 2013 has been restated.

Ernst + Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
April 21, 2016

ACTUARIAL OPINION

On the Valuation of the Benefit Liabilities of the Workplace Safety and Insurance Board as at December 31, 2014

I have completed the actuarial valuation of the benefit liabilities of the Workplace Safety and Insurance Board (the "WSIB") for its consolidated statements of financial position as at December 31, 2014 (the "valuation date").

In my opinion, the benefit liabilities of $26,800 million make reasonable provision for future payments for loss of earnings, other short and long term disability, health care, survivor and retirement income benefits with respect to claims which occurred on or before the valuation date, and for occupational disease claims expected to arise after the valuation date as a result of exposures incurred in the workplace on or before the valuation date in respect of occupational diseases with a long latency period that are recognized by the WSIB. This amount provides for future claim administration costs, but does not include a provision for claims related to workers of Schedule 2 employers.

The valuation was based on the provisions of the *Workplace Safety and Insurance Act, 1997* (Ontario), (the "WSIA") and on the WSIB's policies and administrative practices in effect at the time of the valuation. This includes the implementation on May 1, 2014 of Ontario Regulation 113/14 under the WSIA which amended Ontario Regulation 253/07 (Firefighters) to provide presumption for six additional cancers.

The data on which the valuation is based were provided by the WSIB; I applied such checks of reasonableness of the data as I considered appropriate, and have concluded that the data are sufficiently reliable to permit a realistic valuation of the liabilities and are consistent with WSIB's consolidated financial statements. In my opinion, the data on which the valuation is based are sufficient and reliable for the purpose of the valuation.

The economic assumptions adopted for purposes of computing the liabilities have been selected taking account of the WSIB's strategic plan and investment and funding policies. For this valuation, an annual discount rate of 4.75% for 2015 to 2017 (5.0% for the previous valuation) and 5.25% thereafter (5.5% for the previous valuation) was used to discount expected payments. Other economic assumptions underlying the calculations, which were unchanged from the previous valuation, include annual changes in the Consumer Price Index (CPI) of 2.0%, amounts subject to partial indexing to increase at 0.5% annually, health care costs and wage annual escalation rates of 4.0% and 3.0% respectively. In my opinion, the assumptions are appropriate for the purpose of the valuation.

The methods and assumptions employed in the valuation were consistent with those used in the previous valuation, after taking account of changes in claim patterns. Projections of future claim payments and awards have been made using factors developed from the WSIB's claims experience, mortality and other assumptions. In my opinion, the methods employed in the valuation are appropriate for the purpose of the valuation.

Changes to the actuarial basis, in addition to the discount rate mentioned above, include updates to termination rates and outstanding locked-in profile for valuing loss of earnings, changes to the methodology for valuing outstanding claims and updates to the expected claim costs for long latency occupational disease claims. The impact of the changes in actuarial assumptions and methods on the benefit liabilities is disclosed in note 19 to the consolidated financial statements.

Details of the data, actuarial assumptions, valuation methods and analysis of results are set out in my actuarial report as at the valuation date, of which this statement of opinion forms part.

In my opinion, the amount of the benefit liabilities makes appropriate provision for all personal injury compensation obligations and the consolidated financial statements fairly represent the results of the valuation. This report has been prepared, and my opinions given, in accordance with accepted actuarial practice in Canada.

Donald Blue, FSA, FCIA
Vice-President and Chief Actuary
Workplace Safety and Insurance Board
April 21, 2016
Toronto, Ontario

WORKPLACE SAFETY AND INSURANCE BOARD

Consolidated Statements of Financial Position

(millions of Canadian dollars)

	Note	December 31 2014	December 31 2013 Restated[1]	January 1 2013 Restated[1]
Assets				
Cash and cash equivalents	9	1,473	1,274	1,331
Receivables	26	1,511	1,339	1,299
Public equity securities	10	9,136	8,428	7,707
Bonds	10	6,307	5,448	5,058
Other invested assets	10	7,118	6,032	4,044
Property and equipment	14	124	133	147
Intangible assets	15	110	27	17
Total assets		**25,779**	**22,681**	**19,603**
Liabilities				
Payables and accruals		1,186	1,122	1,083
Derivative liabilities	10	97	78	88
Long-term debt	16	52	136	162
Loss of Retirement Income Fund liability	17	1,663	1,538	1,377
Employee benefit plans liability	18	1,227	920	1,670
Benefit liabilities	19	26,800	26,960	27,050
Total liabilities		**31,025**	**30,754**	**31,430**
Deficiency of assets				
Unfunded liability attributable to WSIB stakeholders	26	(7,890)	(10,467)	(13,930)
Non-controlling interests	25	2,644	2,394	2,103
Total deficiency of assets		**(5,246)**	**(8,073)**	**(11,827)**
Total liabilities and deficiency of assets		**25,779**	**22,681**	**19,603**

Commitments and contingent liabilities (note 20)

[1] Certain amounts shown do not correspond to the 2013 financial statements and reflect adjustments made. Refer to Note 26.

Approved by the Board of Directors

Elizabeth Witmer
Chair
April 21, 2016

Lea Ray
Audit and Finance Committee (Chair)
April 21, 2016

The accompanying notes form an integral part of these consolidated financial statements.

WORKPLACE SAFETY AND INSURANCE BOARD

Consolidated Statements of Comprehensive Income
For the years ended December 31
(millions of Canadian dollars)

	Note	2014	2013 Restated[1]
Revenues			
Premiums	7,26	4,628	4,507
Net mandatory employer incentive programs	7	(124)	(80)
		4,504	4,427
Net investment income			
Investment income	10	2,091	2,184
Investment expenses	10	(164)	(142)
		1,927	2,042
		6,431	**6,469**
Expenses			
Benefit costs			
Benefit payments	19	2,420	2,518
Claim administration costs	19	363	428
Change in actuarial valuation of benefit liabilities	19	(160)	(90)
		2,623	2,856
Loss of Retirement Income Fund contributions	17	59	62
Administration and other expenses	8	358	397
Legislated obligations and funding commitments		276	267
		3,316	**3,582**
Excess of revenues over expenses		**3,115**	**2,887**
Other comprehensive income (loss)			
Remeasurements of employee defined benefit plans	18	(296)	840
Total comprehensive income		**2,819**	**3,727**

		2014	2013 Restated[1]
Excess of revenues over expenses attributable to:			
WSIB stakeholders	26	2,873	2,623
Non-controlling interests	25	242	264
		3,115	**2,887**
Total comprehensive income attributable to:			
WSIB stakeholders	26	2,577	3,463
Non-controlling interests	25	242	264
		2,819	**3,727**

1. Certain amounts shown do not correspond to the 2013 financial statements and reflect adjustments made. Refer to Note 26.

The accompanying notes form an integral part of these consolidated financial statements.

WORKPLACE SAFETY AND INSURANCE BOARD

Consolidated Statements of Changes in Deficiency of Assets

For the years ended December 31
(millions of Canadian dollars)

		Deficiency of assets		
	Note	**Unfunded liability attributable to WSIB stakeholders**	**Non-controlling interests**	**Total**
Balance at January 1, 2013 (restated[1])	26	(13,930)	2,103	(11,827)
Excess of revenues over expenses	26	2,623	264	2,887
Remeasurements of employee defined benefit plans	18	840	-	840
Change in ownership share in investments	25	-	27	27
Balance at December 31, 2013 (restated[1])	26	(10,467)	2,394	(8,073)
Excess of revenues over expenses	26	2,873	242	3,115
Remeasurements of employee defined benefit plans	18	(296)	-	(296)
Change in ownership share in investments	25	-	8	8
Balance at December 31, 2014		**(7,890)**	**2,644**	**(5,246)**

1. Certain amounts shown do not correspond to the 2013 financial statements and reflect adjustments made. Refer to Note 26.

The accompanying notes form an integral part of these consolidated financial statements.

WORKPLACE SAFETY AND INSURANCE BOARD

Consolidated Statements of Cash Flows
For the years ended December 31
(millions of Canadian dollars)

	2014	**2013 Restated**[1]
Operating activities:		
Total comprehensive income	2,819	3,727
Adjustments:		
Amortization of net premium on investments	3	3
Depreciation and amortization of property, equipment and intangible assets	14	27
Changes in fair value of investments	(1,589)	(1,713)
Changes in fair value of investment properties	(16)	(24)
Dividend income from public equity securities	(266)	(255)
Income from associates and joint ventures	(35)	(45)
Interest income	(221)	(231)
Interest expense	13	14
	722	1,503
Changes in non-cash balances related to operations:		
Receivables, excluding those related to investing activities	59	(33)
Payables and accruals, excluding those related to investing and financing activities	(17)	30
Loss of Retirement Income Fund liability	125	161
Employee benefit plans liability	307	(750)
Benefit liabilities	(160)	(90)
	314	(682)
Net cash provided by operating activities	**1,036**	**821**
Investing activities:		
Dividends received from public equity securities, associates and joint ventures	288	270
Interest received	219	230
Purchases of property, equipment and intangible assets	(88)	(22)
Purchases of investments	(22,420)	(26,149)
Sales and maturities of investments	21,490	25,095
Additions to investment properties	(32)	(68)
Acquisitions of associates and joint ventures	(75)	(33)
Dispositions of associates and joint ventures	1	12
Business acquisitions	(184)	(200)
Net cash required by investing activities	**(801)**	**(865)**
Financing activities:		
Disposition of non-controlling interests	157	117
Distributions paid by subsidiaries to non-controlling interests	(149)	(112)
Repayments of debt	(31)	(4)
Interest paid on debt	(13)	(14)
Net cash required by financing activities	**(36)**	**(13)**
Net increase (decrease) in cash and cash equivalents	199	(57)
Cash and cash equivalents, beginning of year	1,274	1,331
Cash and cash equivalents, end of year	**1,473**	**1,274**

1. Certain amounts shown do not correspond to the 2013 financial statements and reflect adjustments made. Refer to Note 26.

The accompanying notes form an integral part of these consolidated financial statements.

WORKPLACE SAFETY AND INSURANCE BOARD

Notes to Consolidated Financial Statements
December 31, 2014

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1. Nature of Operations

The Workplace Safety and Insurance Board (the "WSIB") is a statutory corporation created by an Act of the Ontario Legislature in 1914 and domiciled in the Province of Ontario (the "Province"). As a trust agency of the Government of Ontario, the WSIB is responsible for administering the *Workplace Safety and Insurance Act, 1997* (Ontario) (the "WSIA"), which establishes a no-fault insurance scheme that provides benefits to workers who experience workplace injuries or illnesses.

The WSIB promotes workplace health and safety in the Province and provides a workplace compensation system for Ontario based employers and workers. The WSIB is funded entirely by employer premiums and does not receive any government funding or assistance. Revenues are also earned from a diversified investment portfolio held to meet future obligations on existing claims.

The WSIB's registered office is located at 200 Front Street West, Toronto, Ontario, M5V 3J1.

2. Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements as at and for the year ended December 31, 2014 were authorized for issuance by the WSIB's Board of Directors on April 21, 2016. Refer to note 26 for details.

3. Summary of Significant Accounting Policies

Basis of presentation

The consolidated financial statements have been prepared on the historical cost basis, except for the following items:

a) financial instruments classified as at fair value through profit or loss, which are measured at fair value;

b) investment properties, which are measured at fair value; and

c) liabilities for employee defined benefit plans, which are measured as the present value of the defined benefit obligations less the fair value of plan assets.

Basis of consolidation

a) Subsidiaries

Subsidiaries are entities controlled by the WSIB.

The financial statements of subsidiaries are included in the WSIB's consolidated financial statements from the date control commences until the date control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to reflect accounting policies consistent with those of the WSIB. All intercompany transactions and balances are eliminated.

The majority of the WSIB's investment portfolio is held in subsidiaries in which the WSIB Employees' Pension Plan is a non-controlling interest (note 25).

b) Non-controlling interests

Non-controlling interests represent the WSIB Employees' Pension Plan and other investors' proportionate interest of the net assets and total comprehensive income of subsidiaries in which the

WSIB directly or indirectly owns less than a 100% interest. Total comprehensive income and the surplus or deficiency of assets related to these subsidiaries are allocated to WSIB stakeholders and non-controlling interests.

c) Investments in associates and joint ventures

Associates are those entities over which the WSIB has significant influence over the financial and operating policies but not control or joint control of the entity. Generally, the WSIB is considered to have significant influence when it holds 20% or more of the voting power of an entity, but does not control or jointly control that entity. Joint ventures are entities over which the WSIB has joint control and has rights to the net assets of the arrangement. Joint control exists when the strategic, financial and operating decisions related to the entity require unanimous consent of parties sharing control.

Investments in associates and joint ventures are accounted for using the equity method. Under the equity method, investments are initially recognized at cost and adjusted for the WSIB's proportionate share of the associates' or joint ventures' total comprehensive income.

d) Joint operations

Joint operations are investments in economic activities or entities over which the WSIB has joint control and has rights to specific assets, and obligations for specific liabilities, relating to the arrangement. Joint control exists when the strategic, financial and operating decisions related to the economic activity or entity require unanimous consent of parties sharing control.

The WSIB's consolidated financial statements include its share of assets, liabilities, revenues and expenses related to the joint operations.

Business combinations

At times, the WSIB's investment properties are acquired through business combinations. Acquisitions of businesses are accounted for using the acquisition method. The acquiree's identifiable assets and liabilities are recognized at their fair values at the date of acquisition. The transaction costs associated with business combinations are expensed as incurred.

Foreign currency

The WSIB's functional and presentation currency is the Canadian dollar. The Canadian dollar is also the functional currency of each of the WSIB's subsidiaries, associates and joint ventures.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated at the period-end rates of exchange. Non-monetary assets and liabilities that are measured at fair value are also translated at the period-end rates of exchange. Foreign exchange gains and losses are recognized in investment income or administration and other expenses.

Financial instruments

The WSIB recognizes financial assets and financial liabilities when it becomes a party to a contract. Financial assets and liabilities are offset and the net amount is presented in the consolidated statements of financial position only when the WSIB has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and financial liabilities, with the exception of those classified as at fair value through profit or loss ("FVTPL"), are measured at fair value plus transaction costs on initial recognition. Financial assets and financial liabilities at FVTPL are measured at fair value on initial recognition and transaction costs are expensed when incurred.

Measurement in subsequent periods depends on the classification of the financial instrument. The WSIB's financial assets and financial liabilities are classified as follows:

Financial asset or financial liability	Classification
Cash and cash equivalents	FVTPL (a)
Receivables	Loans and receivables (b)
Public equity securities	FVTPL (a)
Bonds	FVTPL (a)
Other invested assets	FVTPL (a)
Payables and accruals	Other financial liabilities (c)
Derivative liabilities	FVTPL (a)
Long-term debt	Other financial liabilities (c)

a) Financial assets and financial liabilities at FVTPL

Financial assets and financial liabilities are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management, or if they are derivatives. Financial assets and financial liabilities classified as FVTPL are measured at fair value, with changes recognized in investment income.

Financial assets and financial liabilities that are classified as FVTPL are managed based on their fair value in accordance with the WSIB's documented risk management or investment strategy.

b) Loans and receivables

Loans and receivables are non-derivative financial assets that have fixed or determinable payments and are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method. Loans and receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

c) Other financial liabilities

Other financial liabilities are financial liabilities that are not derivative liabilities or classified as FVTPL. Subsequent to initial recognition, other financial liabilities are carried at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial instrument and allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all transaction costs and other premiums or discounts) through the expected life of the financial instrument to the net carrying amount on initial recognition.

Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation, or both. Investment properties acquired through a business combination are recognized at fair value and the related transaction costs are expensed as incurred. Investment properties acquired through an asset purchase are recognized at cost, which includes transaction costs. Subsequent to initial recognition, investment properties are measured at fair value with changes in fair value recognized as investment income during the period in which they arise.

Fair values of investment properties are primarily based on discounted expected future cash flows of each property, using discount and terminal capitalization rates reflective of the characteristics, location and market of each property. The future cash flows of each property are based on estimates of future cash flows from current and future leases.

Valuations of significant investment properties are performed by third-party appraisers, on an annual basis at a minimum, at varying dates throughout the year. On a quarterly basis, the fair value of investment properties is updated based on valuation models incorporating available market evidence.

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. When significant components of an item of property and equipment have different useful lives, they are accounted for as separate items.

Property and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Land	Not depreciated
Buildings	
Primary structure	60 years
Components with different useful lives	10 - 30 years
Leasehold improvements	Lesser of the lease term or 10 years
Office and computer equipment	3 - 5 years

Intangible assets

Intangible assets, which include internally developed and acquired software, are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over their estimated useful lives of three to five years.

Development costs associated with internally developed software are recognized as an intangible asset when certain criteria are met. The criteria to capitalize development costs include the WSIB's intention and ability to complete the development of the software from which it is probable the WSIB will generate future economic benefits.

Leases

Leases are classified as either finance or operating leases. Finance leases are those that substantially transfer the benefits and risks of ownership of an asset to the lessee.

a) Leases where the WSIB is the lessee

Assets held under finance leases are recognized as assets and included in property and equipment. At the inception of the lease, the asset is measured at the lower of the present value of the minimum lease payments and the fair value of the leased asset. A corresponding liability is recognized as a finance lease obligation. Lease payments are apportioned between interest expense and a reduction of the lease obligation to achieve a constant rate of interest on the remaining liability.

Total payments under operating leases are recognized as an expense in administration and other expenses on a straight-line basis over the term of the lease. As an exception, operating leases for investment properties are accounted for as finance leases. Investment properties held under operating leases are recognized as assets and measured at fair value.

b) Leases where the WSIB is the lessor

All leases under which the WSIB is the lessor are leases of its investment properties and have been determined to be operating leases. Rental revenue from operating leases is recognized in investment income on a straight-line basis over the terms of the leases.

Impairment of non-financial assets

At each reporting date, the WSIB's property and equipment and intangible assets are reviewed to determine whether there is an indication those assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in administration and other expenses. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted at a rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purposes of assessing for indications of impairment and impairment testing, assets that do not have largely independent cash inflows are grouped into cash-generating units. Cash-generating units are the smallest identifiable groups of assets with independent cash inflows.

Premium revenues

Premium revenues are comprised of premiums from Schedule 1 employers and administration fees from Schedule 2 employers.

a) Schedule 1 employer premiums

Schedule 1 employers are those for which the WSIB is liable to pay benefit compensation for workers' claims. Schedule 1 employers are required by legislation to pay premiums to the WSIB, which are recognized over the period that coverage is provided.

b) Schedule 2 employer administration fees

Schedule 2 employers are employers that self-insure the provision of benefits under the WSIA. Schedule 2 employers are liable to pay all benefit compensation and administration costs for their workers' claims.

The WSIB administers the payment of the benefits for workers of Schedule 2 employers and recovers the cost of these benefits plus administration fees from the employers. The administration fees are recognized as the services are provided. The benefits paid on behalf of Schedule 2 employers and the amounts collected to recover the benefits paid are not included in the WSIB's revenues or expenses.

Investment income

Investment income is comprised of the following:

a) Realized and unrealized gains and losses on financial instruments

Financial assets and financial liabilities classified as FVTPL are measured at fair value, with changes recognized in investment income in the period they arise.

b) Interest and dividend income

Interest income is determined using the effective interest method and is recognized in investment income as it accrues. Dividend income is recognized in investment income when the WSIB's right to receive payment has been established.

c) Income from associates and joint ventures

The WSIB's proportionate share of its associates' and joint ventures' total comprehensive income is recognized in investment income in the period it is recognized by the associate or joint venture.

d) Income from investment properties

Investment properties are measured at fair value with changes in fair value recognized as investment income during the period in which they arise. Rental income and service charges from investment properties are also included in investment income and recognized in the period to which they relate.

Mandatory employer incentive programs

Schedule 1 employers participate in mandatory employer incentive programs that may result in adjustments to premium rates. Certain of these programs involve a surcharge to, or refund of, premiums based on the employer's claims experience. An estimate of the surcharges or refunds is recognized in the period to which they relate.

Legislated obligations and funding commitments

a) Legislated obligations

The WSIB is required to reimburse the Government of Ontario for all administrative costs of the *Occupational Health and Safety* Act (the "OHSA"). The WSIB is also required to fund costs associated with the Ministry of Labour's (the "MoL") prevention activities, the Workplace Safety and Insurance Appeals Tribunal, and the offices of each of the Worker and Employer Adviser. The expenses related to these legislated obligations are recognized as an expense in the period to which the funding relates.

b) Funding commitments

The WSIB is committed to provide funding for the Institute for Work & Health, Safe Workplace Associations, clinics, and training centres. The expenses related to these funding commitments are recognized as an expense in the period to which the funding relates.

c) Voluntary employer incentive programs

The WSIB is committed to provide financial incentives to Schedule 1 employers who undertake specific measures to improve health and safety. An estimate of the cost of these incentive programs is recognized as an expense in legislated obligations and funding commitments in the period the measures are undertaken by the employer.

Loss of Retirement Income Fund liability

The Loss of Retirement Income Fund liability represents an obligation for payments of retirement benefits to certain workers. The WSIB makes contributions to the Loss of Retirement Income Fund for injured workers who have received certain benefits for twelve consecutive months. The WSIB's contributions, and any voluntary contributions from injured workers, are segregated within the WSIB's investment portfolio as the Loss of Retirement Income Fund.

The WSIB's obligation to injured workers is to provide retirement benefits equal to the total contributions plus income earned on those contributions. As such, the Loss of Retirement Income Fund liability is measured at an amount equivalent to the fair value of the assets in the Loss of Retirement Income Fund. The WSIB's contributions to the Loss of Retirement Income Fund are recognized as the Loss of Retirement Income Fund contributions expense.

Benefit liabilities

Benefit liabilities represent the actuarially determined present value of the estimated future payments for reported and unreported claims incurred on or prior to the reporting date using best estimate assumptions. In addition, an obligation is estimated for claims in respect of occupational diseases currently recognized by the WSIB for which a claim has not yet been reported. The future payments are for estimated obligations for loss of earnings, labour market re-entry costs, short and long-term disability, health care, survivor benefits, retirement income benefits and claim administration costs. The benefit liabilities are determined in accordance with the Standards of Practice of the Canadian Institute of Actuaries, including the standards for Public Personal Injury Compensation Plans, and legislation in effect at the end of the reporting period. Changes in the estimate of future benefit payments are recognized in benefit costs expense.

Benefit liabilities do not include any amounts for claims related to workers of Schedule 2 employers; these claims are ultimately paid by the self-insured Schedule 2 employers.

Employee future benefits

The WSIB maintains two employee defined benefit pension plans, and other defined benefit plans that provide benefits such as post-employment dental, extended health and life insurance benefits.

The obligations for these plans are measured as the present value of the benefit obligation less the fair value of plan assets and are included in the employee benefit plans liability. The employee benefit plans liability represents the combined deficit of the plans at the reporting date.

The cost of the defined benefit plans is actuarially determined using the projected unit credit method and includes management's estimate of expected plan investment performance, compensation level increases and retirement ages of workers.

The changes in defined benefit obligations and plan assets are recognized when they occur as follows:

a) Service costs and the net interest cost are recognized in administration and other expenses; and

b) Remeasurements, which include actuarial gains and losses, are recognized in other comprehensive income. Remeasurements are never reclassified to expenses; other comprehensive income related to the remeasurements is immediately transferred to the unfunded liability.

Termination benefits

Termination benefits refer to benefits payable to employees as a result of voluntary or involuntary termination of employment. The cost of termination benefits is recognized in administration and other expenses when the offer of the benefits can no longer be withdrawn.

4. Changes in Accounting Policies

The WSIB has applied the following amended accounting standard, effective January 1, 2014. The resulting changes in accounting policies have been made in accordance with the applicable transitional provisions.

IAS 32 Financial Instruments Presentation ("IAS 32")

The amendments to IAS 32 clarify the existing requirements for offsetting financial instruments. These amendments did not have a significant impact to the WSIB's consolidated financial statements.

5. Critical Accounting Estimates and Judgments

The WSIB is required to apply judgment when making estimates and assumptions that affect the reported amounts recognized in the consolidated financial statements. These estimates have a direct effect on the measurement of transactions and balances recognized in the consolidated financial statements, and actual results could differ from those estimates. Estimates are reviewed on an ongoing basis, with any related revisions recorded in the period in which they are adjusted.

In addition, the WSIB has made judgments, aside from those that involve estimates, in the process of applying its accounting policies. These judgments can affect the amounts recognized in the consolidated financial statements.

Benefit liabilities (note 19)

Benefit liabilities represent the actuarially determined present value of estimated future payments for reported and unreported claims incurred on or prior to the reporting date, including claims in respect of occupational diseases currently recognized by the WSIB. The measurement of benefit liabilities requires the actuary to make estimates and assumptions for a number of factors, including those for claim duration, mortality rates, wage escalation, general inflation and discount rates. Changes in these estimates and assumptions could have a significant impact on the measurement of benefit liabilities and benefit costs.

Employee benefit plans (note 18)

The costs and liabilities associated with defined benefit pension plans and other long-term employee benefit plans are determined in accordance with actuarial valuations. The actuarial valuations rely on estimates and assumptions including those for wage escalation, expected return on plan assets, health care and dental cost inflation, retirement ages, life expectancies and discount rates. Changes in these estimates could have an impact on the employee benefit plans liability and total comprehensive income.

Fair value measurement of financial instruments (note 21)

Where possible, the fair value of publicly traded financial instruments is based on quoted market prices. The fair value for a substantial majority of financial instruments is based on quoted market prices or valuation models that use observable market inputs such as interest rate yield curves. Valuation models incorporate prevailing market rates and may require estimates for economic risks and projected cash flows.

Fair value measurement of investment properties (note 12)

The WSIB's investment properties are owned indirectly through subsidiaries or joint operations. Investment properties are re-measured to fair value at each reporting date, estimated based on the annual valuations performed by independent qualified appraisers. The annual third-party appraisals are performed at varying dates throughout the year; at each reporting date the fair value of investment properties is updated based on valuation models incorporating available market evidence. When estimating the fair value of investment properties, estimates and assumptions are made that have a significant effect on the reported value of investment properties. Estimates and assumptions used in determining the fair value of the investment properties include discount and terminal capitalization rates, inflation rates, vacancy rates and future net cash flows of the property.

6. Future Changes in Accounting Standards

The following new or amended accounting standards have been issued by the International Accounting Standards Board ("IASB"). These new or amended standards are not yet effective and the WSIB has not completed its assessment of their impact on its consolidated financial statements.

IAS 19 Employee Benefits ("IAS 19")

Amendments to IAS 19 were issued in November 2013, which will be effective for the WSIB beginning January 1, 2015 on a retrospective basis.

The amendments to IAS 19 clarify the accounting for contributions by employees or third parties to defined benefit plans.

IFRS 9 Financial Instruments ("IFRS 9")

In July 2014, the IASB issued IFRS 9 which will replace IAS 39 F*inancial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 will be effective for the WSIB beginning January 1, 2018 on a retrospective basis.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or at fair value, replacing the multiple classifications in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The standard also includes guidance on the classification and measurement of financial liabilities, which largely carries forward the existing requirements in IAS 39.

The standard introduces a new single model for the measurement of impairment losses on all financial instruments subject to impairment accounting. The expected credit loss model replaces the current "incurred loss" model and is based on a forward looking approach.

IFRS 9 also introduces a new hedge accounting model that is more closely aligned with risk management activities.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 was issued in May 2014 and the effective date for the WSIB will be January 1, 2017, using either a full retrospective approach or a modified retrospective approach. The new standard, which replaces the existing standards for revenue recognition, establishes a framework for the recognition and measurement of revenues generated from contracts with customers, except for items such as financial instruments, insurance contracts and leases. The WSIB revenues are mainly from financial instruments and insurance contracts and, consequently, are not in scope of IFRS 15.

Exposure drafts

a) Insurance contracts

In June 2013, the IASB issued a revised exposure draft containing proposals for significant changes to the existing recognition, measurement, presentation and disclosure requirements for insurance contracts. The IASB continues to work on these proposals with the objective of finalizing a new standard to replace IFRS 4 *Insurance Contracts*. This is an important standard that is expected to have a significant effect on the WSIB's consolidated financial statements, primarily as it relates to the measurement of benefit liabilities. The new standard is not expected to be issued in 2015.

b) Other

The IASB regularly issues exposure drafts with proposals for new standards or amendments to existing standards. The WSIB's consolidated financial statements do not include disclosure of all exposure drafts issued by the IASB.

7. Revenues

	2014	2013
Premiums		
Schedule 1 employer premiums		
Gross Schedule 1 premiums	4,514	4,387
Interest and penalties	47	48
Other income	1	1
	4,562	4,436
Schedule 2 employer administration fees	66	71
	4,628	4,507
Net mandatory employer incentive programs	(124)	(80)
	4,504	4,427
Net investment income (note 10)	1,927	2,042
	6,431	**6,469**

Premiums

Schedule 1 employers are those for which the WSIB is liable to pay benefit compensation for workers' claims. Premiums are primarily derived from total insurable earnings of Schedule 1 employers and are recognized over the period that coverage is provided.

Schedule 2 employers are employers that self-insure the provision of benefits under the WSIA. The WSIB administers the payment of the benefits for workers of Schedule 2 employers. The Schedule 2 employer administration fees represent revenues received for the administration of Schedule 2 benefit payments.

Net mandatory employer incentive programs

Net mandatory employer incentive programs represent the net surcharges and refunds related to Schedule 1 employer premiums based on an employer's claims experience.

Net investment income

Details of net investment income are provided in note 10.

8. Administration and Other Expenses

Administration and other expenses for the years ended December 31 are comprised of the following:

	2014	2013
Salaries and short-term benefits	395	373
Long-term employee benefit plans	121	189
Bad debts	40	39
Communications	10	10
Depreciation and amortization	11	22
Equipment and maintenance	46	48
Facilities	40	43
New systems development and integration	5	21
Termination benefits	2	18
Other	32	43
	702	806
Claim administration costs allocated to benefit costs (note 19)	(344)	(409)
	358	**397**

Claim administration costs allocated to benefit costs represent management's estimate of the administration and other expenses directly related to the administration of benefit claims. For the purposes of this allocation, the WSIB has identified the roles and activities that are directly involved in the claim adjudication and payment processes. The direct costs of these roles and activities, including associated overhead costs, are allocated to benefit costs. Note 19 provides further details on the benefit liabilities and benefit costs.

9. Cash and Cash Equivalents

Highly liquid investments with a maturity of three months or less from the date of purchase are considered to be cash equivalents. Cash and cash equivalents are comprised of the following:

	2014	2013
Cash	658	747
Short-term money market securities	815	527
	1,473	**1,274**

For management purposes, cash and cash equivalents are held as follows:

	2014	2013
Held for operating purposes	354	364
Held for investment purposes	929	740
Held in Loss of Retirement Income Fund (note 17)	190	170
	1,473	**1,274**

Invested Assets

The Board of Directors of the WSIB has established a Statement of Investment Policies and Procedures ("SIPP"), which establishes the policies governing the WSIB's investment portfolio. The SIPP is reviewed by the Board of Directors on no less than an annual basis and is amended as required.

The SIPP requires that the WSIB's investment portfolio be diversified across certain asset classes. The invested assets are currently diversified among five primary asset strategies as follows:

Public equities	Investment in the equity, or securities convertible into equity, of public corporations.
Fixed income	Bonds, debentures and other fixed income investments.
Multi-asset	Investments that seek to provide a diversified source of total return generated from the broad market and from active management. Investments within multi-asset may include derivatives, commodities, currencies, hedge funds, equities and fixed income investments.
Real estate	Real estate debentures and properties in Canada diversified across office, retail, industrial and mixed-use assets.
Infrastructure	Investments in transportation, utilities, energy and health care facilities.

The WSIB's invested assets are held directly or held indirectly through investments in subsidiaries, associates, joint ventures or joint operations.

The following provides a summary of the nature of the invested assets by asset strategy:

	Public equities	Fixed income	Multi-asset	Real estate	Infra-structure	Other	2014	2013
Public equity securities	8,631	-	505	-	-	-	**9,136**	**8,428**
Bonds	-	5,852	455	-	-	-	**6,307**	**5,448**
Other invested assets								
Alternative investments[1]	-	-	4,304	372	489	74	5,239	4,589
Investment properties (note 12)	-	-	-	1,194	-	-	1,194	970
Investments in associates and joint ventures (note 11)	-	-	-	401	126	-	527	436
Derivative assets	39	-	113	-	6	-	158	37
	39	-	4,417	1,967	621	74	**7,118**	**6,032**

1. Alternative investments include private market investments, pooled funds and annuities.

Investments under securities lending program

The WSIB participates in a securities lending program through an intermediary for the purpose of generating fee income. Non-cash collateral, the fair value of which represents at least 102% of the fair value of the loaned securities, is maintained until the underlying securities have been returned to the WSIB. The fair value of the loaned securities is monitored on a daily basis by an intermediary financial institution with additional collateral obtained or refunded as the fair value of the underlying securities fluctuates. While in the possession of the counterparties, the loaned securities may be resold or repledged by such counterparties. The intermediary indemnifies the WSIB against any shortfalls in collateral. These transactions are conducted under terms that are usual and customary to security lending activities as well as requirements determined by exchanges where a financial institution acts as an intermediary.

Under the terms of the securities lending program, the WSIB retains substantially all the risks and rewards of ownership of the loaned securities and also retains contractual rights to the cash flows. These securities are not derecognized from the consolidated statements of financial position.

As at December 31, 2014, the fair value of investments under the securities lending program was $1,075 (2013 – $1,247). As at December 31, 2014, the fair value of securities maintained as collateral was approximately $1,133 (2013 – $1,338).

Derivative assets and derivative liabilities

Derivative assets and derivative liabilities include foreign exchange forward contracts which are utilized to hedge investments denominated in a foreign currency, and for active trading. Equity index, fixed income and commodity futures are held to provide international and asset class diversification. These futures are collateralized with cash and treasury bills to replicate the return of the respective equity, fixed income or commodity investments.

The foreign exchange derivative assets and derivative liabilities are subject to netting arrangements and in practice are settled on a net basis, but do not meet the criteria to be presented on a net basis. As such, the derivative assets and derivative liabilities are presented separately in the consolidated statements of financial position.

The notional amounts in the table below are not recorded as assets or liabilities in our consolidated financial statements as they represent the face amounts to which a rate or a price is applied to determine the amount of cash flows to be exchanged. Notional principal amounts do not represent the potential gains or losses associated with market risks and are not indicative of the credit risks associated with derivative financial instruments.

The notional amounts and the fair values of the derivative assets and liabilities as at December 31 are as follows:

	2014			**2013**		
		Fair value			**Fair value**	
	Notional amount	**Assets**	**Liabilities**	**Notional amount**	**Assets**	**Liabilities**
Forward exchange contracts	9,439	103	34	9,301	27	52
Fixed income futures	2,897	27	1	2,647	1	20
Commodity futures	653	2	49	419	3	6
Equity Index futures	482	20	2	209	6	-
Options	18	6	6	-	-	-
Swaps	310	-	5	81	-	-
	13,799	**158**	**97**	**12,657**	**37**	**78**

Net investment income

Net investment income by asset strategy, including income from cash and cash equivalents and derivatives, for the years ended December 31 is as follows:

	Public equities	Fixed income	Multi-asset	Real estate	Infra-structure	Other	2014	2013
Public equity securities	1,010	-	58	-	-	-	1,068	2,279
Bonds	-	478	52	-	-	2	532	(19)
Alternative investments	-	-	609	18	53	5	685	395
Investment properties	-	-	-	118	-	-	118	101
Income from associates and joint ventures (note 11)	-	-	-	25	10	-	35	45
Derivatives	(43)	-	(152)	-	(19)	-	(214)	(462)
Cash and cash equivalents	1	-	-	-	-	4	5	4
Less: Investment expenses	(55)	(1)	(39)	(51)	(18)	-	(164)	(142)
Less: Income attributable to Loss of Retirement Income Fund (note 17)	(60)	(28)	(34)	(7)	(3)	(6)	(138)	(159)
	853	**449**	**494**	**103**	**23**	**5**	**1,927**	**2,042**

Net investment income, including income from cash and cash equivalents and derivatives, for the years ended December 31 is comprised of the following:

	2014	2013
Realized and unrealized gains on financial instruments	3,380	5,116
Realized and unrealized losses on financial instruments	(1,801)	(3,402)
Interest and dividend income	497	483
Income from associates and joint ventures (note 11)	35	45
Income from investment properties	118	101
Less: Income attributable to Loss of Retirement Income Fund (note 17)	(138)	(159)
Investment income	2,091	2,184
Investment expenses	(164)	(142)
Net investment income	**1,927**	**2,042**

11. Investments in Associates and Joint Ventures

Investments in associates and joint ventures are comprised of the following:

	2014	2013
Investments in associates	21	13
Investments in joint ventures	506	423
	527	**436**

Income from associates and joint ventures for the years ended December 31 is comprised of the following:

	2014	2013
Net income (loss) from associates	2	(1)
Net income from joint ventures	33	46
Income from associates and joint ventures (note 10)	**35**	**45**

Investments in associates

Associates are those entities over which the WSIB has significant influence over the financial and operating policies but not control or joint control of the entity. Generally, the WSIB is considered to have significant influence when it holds 20% or more of the voting power of an entity, but does not control or jointly control that entity. Investments in associates are accounted for using the equity method.

	2014	2013
Balance, beginning of year	13	17
Additional investment	7	1
Return of capital	(1)	(3)
WSIB's share of net income (loss) from associates	2	(1)
Dividends received and receivable	-	(1)
Balance, end of year	**21**	**13**

As at December 31, 2014, the WSIB had $20 (2013 – $26) of outstanding commitments for additional investments in existing associates.

The following provides a summary of the financial position information of the WSIB's associates:

	2014	2013
Total assets	131	87
Total liabilities	(8)	(8)
Net assets	**123**	**79**
WSIB's share of net assets	**21**	**13**

The following provides a summary of the net income (loss) of the WSIB's associates:

	2014	2013
Revenues	27	7
Expenses	(3)	(6)
Fair value loss of investment properties	(1)	(2)
Net income (loss)	**23**	**(1)**
WSIB's share of net income (loss)	**2**	**(1)**

Investments in joint ventures

Joint ventures are entities over whose activities the WSIB has joint control. Joint control exists when the strategic, financial and operating decisions related to the entity require unanimous consent of parties sharing control. Investments in joint ventures are accounted for using the equity method.

	2014	2013
Balance, beginning of year	423	369
Additional investment	68	30
Disposition	-	(5)
WSIB's share of net income from joint ventures	33	46
Dividends received and receivable	(18)	(17)
Balance, end of year	**506**	**423**

The WSIB's ownership in the joint ventures, which hold investment properties, ranges from 38% - 77%. While the WSIB's ownership in certain joint ventures is greater or less than 50%, there are contractual agreements in place requiring unanimous consent for significant strategic, financial and operating decisions.

As at December 31, 2014, the WSIB had commitments to make additional capital contributions of $107 (2013 – $172) to joint ventures.

The following provides a summary of the financial position information of the WSIB's joint ventures:

	2014	2013
Total assets	1,366	1,251
Total liabilities	(318)	(324)
Net assets	**1,048**	**927**
WSIB's share of net assets	**506**	**423**

The following provides a summary of the net income of the WSIB's joint ventures:

	2014	2013
Revenues	116	105
Expenses	(65)	(64)
Gains from increases in fair value	13	62
Net income	**64**	**103**
WSIB's share of net income	**33**	**46**

12. Investment Properties

The reconciliation of carrying amounts for investment properties is set forth below:

	2014	2013
Balance, beginning of year	970	643
Asset acquisitions	-	51
Business combinations	184	224
Capital expenditures	32	17
Gains from increases in fair value	16	24
Other	(8)	11
Balance, end of year (note 10)	**1,194**	**970**

Rental income and operating expenses

Rental income and service charges from investment properties during the year were $102 (2013 – $76) and are included in investment income (note 10). Operating expenses from investment properties during the year were $49 (2013 – $40) and are included in investment expenses (note 10).

Asset acquisitions

During 2013, the WSIB acquired an 80% interest in two investment properties for a total cost of $39. The WSIB also acquired an additional 25% interest in a property, of which it had already owned 75%, for a total cost of $2.

Business combinations

During 2014, the WSIB acquired one income-producing investment property through the acquisition of its 100% interest for a total purchase consideration of $184.

During 2013, the WSIB acquired three income-producing investment properties through the acquisition of 100% of two businesses and 87% of another for total purchase consideration of $200.

Total assets acquired and liabilities assumed were as follows:

	2014	2013
Receivables and other assets	1	-
Investment properties	184	224
Payables	(1)	(2)
Total fair value of net identifiable assets	**184**	**222**
Non-controlling interests	-	(22)
Total consideration transferred	**184**	**200**

Fair value measurements

Fair values of investment properties are estimated based on valuations performed by qualified appraisers. The fair values of investment properties are updated quarterly based primarily on the discounted expected future cash flows of the properties. At least one valuation per year for each property is based on an independent appraisal.

Further details on the fair value measurement of investment properties are included in note 21.

Leases of investment properties

The WSIB is the lessor for a number of operating leases of its investment properties. These leases typically have a term of 1 to 15 years, with an option to renew. All operating lease contracts contain market review clauses in the event the lessee exercises its option to renew. There is one lease which provides the lessee with an option to purchase the property at the end of the lease term.

The future minimum lease payments to be received under non-cancellable leases are as follows:

	Minimum lease payments
Not later than one year	59
Later than one year and not later than five years	201
Later than five years	137
	397

13. Joint Operations

Joint operations are investments in economic activities or entities over which the WSIB has joint control and has rights to specific assets, and obligations for specific liabilities, relating to the arrangement. Joint control exists when the strategic, financial and operating decisions related to the assets require the unanimous consent of parties sharing control.

The WSIB's consolidated financial statements include its share of the assets, liabilities, revenues and expenses related to joint operations.

The WSIB's ownership interests in joint operations at December 31, 2014 are as follows:

	Ownership
Simcoe Place (a)	75%
Mississauga property (b)	50%
Calgary property (c)	50%
Montreal property (d)	75%

a) The WSIB has a 75% undivided co-ownership interest in an office tower situated at 200 Front Street West, Toronto, Ontario ("Simcoe Place"). The WSIB occupies approximately 71% of the premises and recognizes its share of the property within property and equipment and its share of operating expenses in administration and other expenses. As at December 31, 2014, the WSIB had no capital commitments with respect to Simcoe Place. While the WSIB has a 75% interest, unanimous consent of both parties with ownership interests is required for significant financial and operating decisions.

b) The WSIB has a 50% undivided co-ownership interest in an office and retail complex of four office buildings and adjoining development lands located in the City of Mississauga, Ontario (the "Mississauga Property"). As at December 31, 2014, the WSIB had no capital commitments with respect to the Mississauga Property.

c) The WSIB has a 50% undivided co-ownership interest in a retail development located in Calgary (the "Calgary Property"), held through a limited partnership. As at December 31, 2014, the WSIB had $8 of capital commitments with respect to the Calgary Property.

d) The WSIB has a 75% undivided co-ownership interest in an industrial development located in Montreal (the "Montreal Property"), which is classified as an investment property. As at December 31, 2014, the WSIB had no capital commitments with respect to this property. While the WSIB has a 75% interest, unanimous consent of both parties with ownership interests is required for significant financial and operating decisions.

The following amounts related to the joint operations are included in the WSIB's consolidated financial statements:

	Simcoe Place	**Mississauga Property**	**Calgary Property**	**Montreal Property**	**2014**	**2013**
Other assets	12	9	1	-	22	17
Property and equipment	120	-	-	-	120	123
Investment properties	-	78	38	10	126	120
Payables	(63)	(3)	(7)	-	(73)	(15)
Long-term debt	(21)	-	(5)	-	(26)	(83)
Net assets	**48**	**84**	**27**	**10**	**169**	**162**
Investment income	-	9	-	-	9	15
Investment expenses	-	(6)	-	-	(6)	(6)
Administration and other expenses	(26)	-	-	-	(26)	(28)
Total comprehensive income (loss)	**(26)**	**3**	**-**	**-**	**(23)**	**(19)**

14. Property and Equipment

	Land	Buildings	Leasehold improvements	Office and computer equipment	Total
Cost					
Balance at December 31, 2012	40	102	67	31	240
Additions	-	-	1	1	2
Dispositions	-	-	-	(2)	(2)
Balance at December 31, 2013	40	102	68	30	240
Additions	-	-	1	-	1
Disposals	-	-	-	(9)	(9)
Balance at December 31, 2014	40	102	69	21	232
Accumulated depreciation					
Balance at December 31, 2012	-	15	59	19	93
Depreciation	-	4	4	7	15
Disposals	-	-	-	(1)	(1)
Balance at December 31, 2013	-	19	63	25	107
Depreciation	-	3	4	3	10
Disposals	-	-	-	(9)	(9)
Balance at December 31, 2014	-	22	67	19	108
Carrying amounts					
At December 31, 2014	40	80	2	2	124
At December 31, 2013	40	83	5	5	133

Depreciation of property and equipment is included in administration and other expenses on the consolidated statements of comprehensive income.

The WSIB has a 75% undivided co-ownership interest in Simcoe Place, and occupies approximately 71% of the property. The WSIB's share of the land, building and leasehold improvements is included in property and equipment.

The land at Simcoe Place is held under a finance lease and is carried at cost. Further details are provided in note 16.

15. Intangible Assets

	Internally developed software	Acquired software	Total
Cost			
Balance at December 31, 2012	73	6	79
Additions	20	3	23
Disposals	(8)	(1)	(9)
Balance at December 31, 2013	85	8	93
Additions	86	1	87
Balance at December 31, 2014	171	9	180
Accumulated amortization			
Balance at December 31, 2012	57	5	62
Amortization	11	1	12
Disposals	(8)	-	(8)
Balance at December 31, 2013	60	6	66
Amortization	3	1	4
Balance at December 31, 2014	63	7	70
Carrying amounts			
At December 31, 2014	108	2	110
At December 31, 2013	25	2	27

The carrying amount for internally developed software at December 31, 2014 includes $105 of costs for software that was not yet available for use and therefore was not yet subject to amortization (2013 – $20).

Amortization of intangible assets is included in administration and other expenses on the consolidated statements of comprehensive income.

16. Long-term Debt

Long-term debt is comprised of the following:

	2014	2013
Mortgages payable	5	88
Obligations under finance leases	47	48
	52	**136**

Mortgages payable

The WSIB has a mortgage loan agreement related to Simcoe Place (note 13) that is secured by the building and matures in July 2015. The interest rate is fixed at 10.25% per annum compounded semi-annually. The balance of this mortgage as at December 31, 2014 was $57 which was included in payables and accruals (2013 – $59 of which $2 was included in payables and accruals). For the year ended December 31, 2014, interest of $6 was included in administration and other expenses (2013 – $6).

Mortgages related to investment properties are held with a total principal balance of $32 of which $27 was included in payables and accruals (2013 – $61 of which $30 was included in payables and accruals). The mortgages have annual fixed interest rates of 4.5% – 5.6%, and mature between 2015 and 2016. For the year ended December 31, 2014, interest of $2 was included in investment expenses (2013 – $2).

At December 31, 2014, future principal payments on mortgages payable were as follows:

	Principal payments
Not later than one year	84
Later than one year and not later than five years	5
Later than five years	-
	89

Obligations under finance leases

The WSIB has a finance lease related to the land at Simcoe Place (note 13) with minimum annual lease payments of $4 (2013 – $4). The lease expires in 2027, at which point the WSIB has an option to purchase a 75% interest in the land for $2. Management considers this option to be advantageous and expects the option will be exercised. The effective interest rate on this finance lease is 19.59%.

The WSIB has three operating leases for investment properties. The WSIB has elected to measure these investment properties at fair value and to account for the related operating leases as finance leases. These leases have total annual minimum lease payments of $2 and interest rates ranging from 5.6% – 7.8%. Two of the leases have remaining lease terms of 37 years; the other has a remaining lease term of 73 years.

Future minimum lease payments under finance leases are as follows:

	Future minimum lease payments	**Interest**	**Present value of minimum lease payments**
Not later than one year	6	(6)	-
Later than one year and not later than five years	24	(21)	3
Later than five years	114	(70)	44
	144	**(97)**	**47**

17. Loss of Retirement Income Fund Liability

The Loss of Retirement Income Fund liability represents an obligation for payments of retirement benefits to eligible workers.

	2014	2013
Balance, beginning of year	1,538	1,377
Contributions from the WSIB	59	62
Optional contributions from injured workers	7	8
Contributions from Schedule 2 employers	4	4
Investment income (note 10)	138	159
Benefits paid in cash	(83)	(72)
Balance, end of year	**1,663**	**1,538**

The WSIB contributes five percent of the loss of earnings benefits once a worker of a Schedule 1 employer has been receiving loss of earnings benefits for twelve continuous months. The WSIB's contributions are recognized in the consolidated statements of comprehensive income as the Loss of Retirement Income Fund contributions expense.

Workers eligible for loss of retirement income benefits can choose to contribute a further five percent from their loss of earnings benefits. Schedule 2 employers are required to contribute five percent of the loss of earnings benefits for their workers once loss of earnings benefits are received for twelve continuous months.

For claims incurred prior to January 1, 1998, the contribution from the WSIB and Schedule 2 employers is 10% of every future economic loss payment made to injured workers.

Total contributions are segregated within the WSIB's investment portfolio as Loss of Retirement Income Fund. The WSIB's obligation pursuant to the WSIA is to provide retirement benefits equal to the WSIB's contributions, contributions from injured workers and contributions from Schedule 2 employers, plus the investment income earned on those contributions. As such, the Loss of Retirement Income Fund liability is measured as the fair value of the assets in the Loss of Retirement Income Fund.

The assets of the Loss of Retirement Income Fund are included in the consolidated statements of financial position. The following provides a summary of the assets by strategy as defined by the WSIB's SIPP:

	2014		2013	
Public equities	534	32%	520	34%
Fixed income	334	20%	306	20%
Multi-asset	361	22%	339	22%
Real estate	122	7%	105	7%
Infrastructure	41	2%	35	2%
Other	81	5%	63	4%
Included in total invested assets (note 10)	1,473	88%	1,368	89%
Cash and cash equivalents (note 9)	190	12%	170	11%
	1,663	**100%**	**1,538**	**100%**

18. Employee Benefit Plans

The WSIB maintains two employee defined benefit pension plans, and other defined benefit plans that provide benefits such as post-employment dental, extended health and life insurance benefits. In addition, the WSIB maintains other long-term employee benefit plans that provide certain post-employment medical, dental and insurance benefits.

The cost of employee benefit plans is recognized as the employees provide service to the WSIB, and the liabilities for these plans are measured individually as the present value of the benefit obligation less the fair value of plan assets. The employee benefit plans liability represents the combined deficit of the plans at the reporting date.

The WSIB Employees' Pension Plan provides for partially indexed pensions based on years of service and the best five consecutive years' average earnings in the last 10 years of employment. The WSIB Employees' Supplementary Pension Plan ensures that employees whose earnings exceed the threshold earnings for the maximum pension benefit permitted under the *Federal Income Tax Act* (ITA) will receive pension benefits based on their total earnings.

Regulatory framework

The WSIB Employees' Pension Plan is a registered pension plan under the Ontario *Pension Benefits Act* (PBA), which requires certain minimum benefit standards and funding levels. Minimum funding requirements under the PBA are determined based on actuarial valuations on a going concern basis that are required at a minimum of every three years. Deficits under the going concern basis may be funded over up to 15 years, beginning one year from the valuation date. In addition, solvency valuations must be performed which simulate a plan wind-up. Deficiencies established on a solvency basis may be funded over up to five years, beginning one year from the valuation date.

The WSIB Employees' Supplementary Pension Plan is funded to the extent of employee contributions in excess of ITA limits, which are matched by the WSIB, and special contributions from the WSIB as may be necessary to meet expected benefit outflows. The other employee benefit plans are not funded in advance.

Funding and arrangements

With respect to the WSIB Employees' Pension Plan, the WSIB's practice is to contribute the minimum required under the PBA, but additional contributions may be made for tactical purposes, such as to meet a particular funding threshold. The WSIB Employees' Pension Plan is open to new entrants, and employees pay contributions based on a fixed formula (as percentages of payroll), with the WSIB responsible for the balance of the cost of the WSIB Employees' Pension Plan.

The WSIB applied for temporary solvency funding relief based on the December 31, 2012 solvency valuation of the WSIB Employees' Pension Plan, and the application was approved in June 2013. The temporary solvency relief provisions allow a longer period over which to fund the solvency deficiencies.

Governance of defined benefit plans

The Board of Directors of the WSIB oversees the administration of the employee benefit plans in accordance with applicable legislation and approves the governance structure, including the mandates of those to whom administrative duties and responsibilities have been delegated. The Board of Directors approves actuarial valuation reports and establishes employer contributions, approves audited plan financial statements, appoints and terminates key service providers and monitors plan funded status and regulatory, legislative and governance compliance.

The Board of Directors receives assistance in the fulfilment of its responsibilities related to the employee benefit plans through various committees, including the Audit and Finance Committee, the Human Resources and Compensation Committee and the Investment Committee.

Risks

Given that employee contributions to the employee benefit plans (if any) are fixed, the WSIB generally bears the risks associated with the defined benefit plans. The most significant sources of risk for the WSIB include:

a) A decline in discount rates that increases the measurement of the employee benefit plans liability;

b) For the WSIB Employees' Pension Plan which is funded, investment returns which are lower than expected or which do not keep pace with changes in the defined benefit obligation due to interest rate changes;

c) Lower than expected rates of mortality; and

d) For retiree health and dental benefits, health care cost inflation being higher than expected.

In general, the WSIB manages the risks through plan design reviews and, in relation to investment risks, through risk control mechanisms in the WSIB's SIPP.

Long-term employee benefit plans expenses

The cost of the long-term employee benefit plans recognized in administration and other expenses is as follows:

	2014	2013
Service cost	76	121
Net interest on the employee benefit plans liability	45	68
	121	**189**

Remeasurements of the employee defined benefit plans recognized in other comprehensive loss (income) are as follows:

	2014	2013
Actuarial losses (gains) arising from changes in financial assumptions[1]	329	(678)
Actuarial losses arising from changes in demographic assumptions[2]	113	-
Actuarial losses (gains) arising from demographic and other experience	(19)	14
Excess of actual return on plan assets over interest income	(127)	(176)
	296	**(840)**

[1] Commencing in 2014, the discount rate reflects the Canadian Institute of Actuaries (the "CIA") approach. Under this approach, the discount rate is the rate that produces the same present value as obtained by applying notional zero coupon yields to the projected cash flow obligations for the plan. For the comparative year, the discount rate was based on long-term corporate yields.

[2] Commencing in 2014, mortality assumptions for all benefits, excluding the Workplace Accident and Long Term Disability plans, have been updated and are based on a mortality improvement scale published by the CIA for financial reporting purposes for a broad range of Canadian pension plans.

Remeasurements are never reclassified to expenses; other comprehensive loss (income) related to the remeasurements is immediately transferred to the unfunded liability.

Employee benefit plans liability

The employee benefit plans liability is comprised of the following:

	December 31 2014	December 31 2013
Present value of wholly or partly funded obligations	3,118	2,665
Present value of unfunded obligations	708	598
Total present value of obligations	3,826	3,263
Fair value of plan assets	(2,599)	(2,343)
Employee benefit plans liability	**1,227**	**920**

The movement in the total present value of defined benefit obligations is as follows:

	2014	2013
Balance, beginning of year	3,263	3,744
Current service cost	80	112
Contributions by employees	26	26
Interest expense on the defined benefit obligations	156	149
Actuarial losses (gains) arising from changes in financial assumptions	329	(683)
Actuarial losses arising from changes in demographic assumptions	113	-
Actuarial losses (gains) arising from demographic and other experience	(23)	27
Benefits paid	(118)	(112)
Balance, end of year	**3,826**	**3,263**

Benefits to be paid during 2015 are projected to be $127, and the WSIB's contributions to the plans are projected to be $113.

The WSIB Employees' Pension Plan and Retiree Health, Dental and Life Insurance Benefit Plan together comprise approximately 96% of the defined benefit obligations as at December 31, 2014. The weighted average duration of the defined benefit obligations for these two plans, determined on the Modified basis, is as follows:

	Pension 2014	Retiree welfare 2014
Weighted average duration	16.7	20.4

Fair value of plan assets

The movement in the total fair value of plan assets is as follows:

	2014	2013
Balance, beginning of year	2,343	2,074
Excess of actual returns on plan assets over interest income	127	176
Interest income on plan assets	111	81
Contributions by the WSIB	110	98
Contributions by employees	26	26
Benefits paid	(118)	(112)
Balance, end of year	**2,599**	**2,343**

Plan assets are comprised of the following:

	2014		2013	
Plan assets by major category				
Public equities	989	38%	902	39%
Fixed income	641	25%	560	24%
Real estate	217	8%	193	8%
Infrastructure	75	3%	63	3%
Multi-asset and other	677	26%	625	26%
Total	**2,599**	**100%**	**2,343**	**100%**

The plan assets and the associated risk are managed in accordance with the WSIB's SIPP. The SIPP requires that the plan assets be diversified across certain asset classes and investment strategies (note 10). Measurement, assessment and management of risk is conducted using tools and analysis, including asset-liability studies, measures of standard deviation and tracking error, and sensitivity analysis. Other risks, such as operational risks, are managed through internal controls or other risk control mechanisms.

Actuarial assumptions

The significant actuarial assumptions used in the determination of the present value of the defined benefit obligations are as follows:

	2014	2013
Discount rate – plan expenses	4.7%	3.9%
Discount rate – accrued benefit obligation	4.0%	4.7%
Inflation	1.8%	2.0%
Salary increases	2.8%	3.0%-4.0%
Health care increases[1]	6.0%	7.0%
Dental increases	4.0%	4.0%

1. The 2014 assumptions for health care increases include drug cost increases of 6.0% in 2015, 2016 and 2017, declining 0.5% per annum to 4.5% in 2020 and thereafter. The 2013 assumptions for health care increases were 7.0% in 2014, declining 1% per annum to 4.0% in 2017 and thereafter.

The 2014 assumptions for mortality rates are based on 104% of CPM 2014 (Private) table projected generationally using scale B. The 2013 mortality assumptions were based on the UP94 table projected generationally using scale AA.

Sensitivity of actuarial assumptions

Changes in the actuarial assumptions used have a significant effect on the employee benefit plans liability. The following provides an estimate of the potential impact of a change in the more significant assumptions:

Change in assumption	Increase (decrease) in the defined benefit obligations 2014
100 basis point increase in the discount rate	(575)
100 basis point decrease in the discount rate	748
100 basis point increase in salary, indexation, government benefit increases	432
100 basis point decrease in salary, indexation, government benefit increases	(359)
100 basis point increase in health care and dental costs escalation rate	127
100 basis point decrease in health care and dental costs escalation rate	(97)

The sensitivities above assume all other assumptions are held constant.

The measurement of the defined benefit obligations is also sensitive to the mortality assumptions. A recently finalized report from the Canadian Institute of Actuaries on Canadian Pensioners' Mortality confirms that the life expectancy of Canadian pensioners continues to increase and is significantly longer than commonly anticipated by pension actuaries. The current longevities underlying the measurement of the defined benefit obligations as at December 31 are as follows:

	2014
Longevity for those currently age 65	
Males	21.2 years
Females	23.7 years
Longevity at age 65 for those currently age 45	
Males	22.3 years
Females	24.7 years

If the mortality rates were to be reduced proportionately such that the average life expectancy for a 65 year-old female was increased by two years, and the mortality rate was adjusted proportionately for all other plan members, the defined benefit obligations for the WSIB Employees' Pension Plan and Retiree Health, Dental and Life Insurance Benefit Plan would increase by $156 (5.0%) and $47 (8.3%), respectively.

Benefit liabilities

Benefit liabilities represent the estimated present value of the WSIB's obligation for future benefit payments for reported and unreported claims incurred on or before December 31, 2014, including claims in respect of occupational diseases currently recognized by the WSIB. The estimated cost of administering those claims is also included in benefit liabilities. Benefit liabilities are based on the level and nature of entitlement under the WSIA and adjudication practices in effect at that date.

Benefit liabilities do not include any amounts for claims related to workers of Schedule 2 employers; the WSIB's payment of those claims is reimbursed by the self-insured Schedule 2 employer on an ongoing basis.

Benefit liabilities are actuarially determined in accordance with the standards of practice established by the Canadian Institute of Actuaries.

Benefit liabilities are comprised of the following:

	2014	2013
Loss of earnings	9,015	9,314
Workers' pensions	6,115	6,318
Health care	3,849	3,721
Survivor benefits	2,687	2,579
Future economic loss	1,608	1,766
External providers	239	257
Non-economic loss	253	296
Long latency occupational diseases	1,886	1,565
Claim administration costs	1,148	1,144
	26,800	**26,960**

A summary of the changes in benefit liabilities is as follows:

	2014	2013
Benefit liabilities, beginning of year	26,960	27,050
Benefit costs	2,623	2,856
Benefit costs paid during the year	(2,783)	(2,946)
Benefit liabilities, end of year	**26,800**	**26,960**

Further details of the changes in benefit liabilities are as follows:

	Loss of earnings	Workers' pensions	Future economic loss	Health care	Non-economic loss	External providers	Survivor benefits	Claim admin.	Occupa-tional diseases	LRI[1]	2014	2013
Benefit liabilities, beginning of year	8,870	6,318	1,607	3,721	296	257	2,579	1,144	1,565	603	**26,960**	27,050
Claim costs recognized during the year	716	-	-	448	41	55	103	355	-	33	**1,751**	1,839
Payments processed during the year	(863)	(597)	(232)	(452)	(47)	(45)	(184)	(363)	-	(59)	**(2,842)**	(3,010)
Interest expense on the liability	424	301	75	176	13	11	125	52	78	28	**1,283**	1,412
Impact of legislative change	6	-	-	11	2	-	31	-	77	-	**127**	-
Impact of actuarial remeasurement	134	170	20	154	3	2	113	24	204	6	**830**	896
Changes in claims experience	(699)	(77)	(8)	(209)	(55)	(41)	(80)	(64)	(38)	(38)	**(1,309)**	(1,227)
Benefit liabilities, end of year	**8,588**	**6,115**	**1,462**	**3,849**	**253**	**239**	**2,687**	**1,148**	**1,886**	**573**	**26,800**	**26,960**

[1] Loss of Retirement Income Fund ("LRI").

Benefit costs

Benefit costs are comprised of the following:

	2014	2013
Benefit payments	**2,420**	**2,518**
Claim administration costs		
Allocation from administration and other expenses (note 8)	344	409
Allocation from legislated obligations and funding commitments	19	19
	363	**428**
Change in actuarial valuation of benefit liabilities	**(160)**	**(90)**
Benefit costs	**2,623**	**2,856**

Benefit payments represent cash paid during the year to or on behalf of injured workers. Benefit payments are comprised of the following:

	2014	2013
Loss of earnings	863	908
Workers' pensions	596	624
Health care	452	455
Survivor benefits	184	178
Future economic loss	230	242
External providers	44	52
Non-economic loss	48	48
Other	3	11
Benefit costs paid to or on behalf of injured workers	**2,420**	**2,518**
Claim administration costs	363	428
Benefit costs paid during the year	**2,783**	**2,946**

Change in actuarial valuation

The change in the actuarial valuation of benefit liabilities is comprised of the following:

	2014	2013
Changes in estimate of cost of claims	(2,273)	(2,398)
Changes in actuarial assumptions and methods	830	896
Accretion[1]	1,283	1,412
	(160)	**(90)**

[1] Accretion represents the estimated interest cost of the benefits liability, considering the discount rate, benefit liabilities at the beginning of the year and payments during the year.

The changes in actuarial assumptions and methods are comprised of the following:

	2014	2013
Changes in discount rate	569	941
Changes in methods and assumptions for loss of earnings benefits	(22)	-
Changes in mortality rates	-	343
Changes in occupational disease assumptions and methods	127	114
Changes in methodology for future awards	64	-
Changes in average awards	92	-
Other changes of methodology and assumptions	-	(502)
	830	**896**

Actuarial assumptions and methods

The actuarial present value of future benefit payments depends on actuarial assumptions, including economic assumptions, which are based on past experience modified for current trends and expected development. Actuarial assumptions are reviewed annually when the actuarial valuation is performed. Management believes the valuation methods and assumptions are, in aggregate, appropriate for the valuation of benefit liabilities. The following table summarizes the main underlying actuarial assumptions used in estimating the categories of benefit liabilities:

Actuarial Assumption	Note	Loss of earnings	Workers' pensions	Health care	Survivor benefits	Future economic loss	External providers	Non-economic loss	Long latency occupational diseases
Discount rate	a)	√	√	√	√	√	√	√	√
Indexation	a)	√	√	-	√	√	-	√	√
Wage escalation	a)	√	√	-	√	√	√	√	√
Health care escalation	a)	-	-	√	-	-	-	-	√
Wage loss	b)	√	-	-	-	√	-	-	√
Mortality	c)	√	√	√	√	√	-	√	√
Claims incidence	d)	√	-	-	-	-	-	-	√
Termination	d)	√	-	-	-	-	-	-	√
Exposure index	d)	√	√	√	√	√	√	√	√
Expenses	f)	√	√	√	√	√	√	√	√

a) Economic assumptions

The following provides a summary of the primary economic assumptions used in the actuarial valuation of benefit liabilities:

	2014	2013	Change
Discount rate	2014-2017 – 4.75% thereafter – 5.25%	2013-2017 – 5.0% thereafter – 5.5%	(0.25)% (0.25)%
Indexation of benefits rate:			
Fully indexed to inflation	2.0%	2.0%	- %
Partially indexed	0.5%	0.5%	- %
Wage escalation rate	3.0%	3.0%	- %
Health care costs escalation rate	4.0%	4.0%	- %

For partially indexed loss of earnings and workers' pensions related to injuries since April 1, 1985, the assumption used for partially indexed benefits has been revised to better reflect the application of the current temporary indexing factor of 0.5%. This factor has been extended to 2015.

b) Wage loss

Wage loss refers to the proportion of a worker's wages that are lost due to an injury. Most benefits influenced by wage loss are based on historical experience and limits in the WSIA.

c) Mortality

The assumptions for the mortality rates were the same as the rates used in 2013 except adjusted for an additional year of mortality improvement. The base mortality rates were updated in 2013 to reflect recent experience. Mortality rates are used to estimate the duration for which the WSIB will continue to be required to make payments to injured workers or survivors receiving monthly pension amounts. The mortality assumptions are determined separately for injured workers and survivors as follows:

i) the mortality assumption for injured workers is based on an actuarial study of the mortality levels by age and gender experienced by WSIB disability income recipients from 2006-2010, adjusted to reflect any prevailing improvements (or otherwise) in the experience of WSIB injured workers up to and including 2014;

ii) the mortality assumption for those receiving survivor benefits is based on an actuarial study of mortality levels experienced by WSIB survivors, and the 2009-2011 Province of Ontario population mortality table developed by Statistics Canada, adjusted to reflect any prevailing improvements (or otherwise) in the experience of WSIB survivors up to and including 2014; and

iii) the mortality rates for both injured workers and survivors are projected for future years using the Canada Pension Plan's mortality improvement factors. As such, future mortality rates are reduced to allow for greater future longevity expected for injured workers and survivors.

d) Claims incidence, termination and exposure index

Claims incidence refers to the number of claims incurred during the year and requires actuarial assumptions for the number of claims expected to have been incurred but not reported at

December 31, 2014. Termination refers to the actuarial assumptions regarding the future duration of claims. Exposure index refers to the indicator used to assist in predicting certain future costs for different injury years and represents, on a relative basis, the level of risk insured by the WSIB.

The assumptions regarding claims incidence are determined based on the number of claims incurred in past years. The termination assumption is determined using average termination experience of the WSIB from three recent injury years and modified for the existing claims expected to be of longer duration. The exposure index has been developed using the number of claims incurred up to injury year 1998, and for subsequent years, the number of workers covered by the WSIB, adjusted by the variation in the average risk associated with these workers. The termination rates and loss of earnings future lock-in claim profile has been updated in 2014 to reflect recent experience.

e) Occupational diseases

Occupational diseases refer to future occupational disease claims arising from exposures up to the valuation date to hazardous substances or conditions, such as asbestos and excessive noise. An in-depth study was performed in 2014 to estimate the number of latent occupational disease claims, the latency periods and their expected costs. In 2014, the expected cost was updated to reflect most recent experience. These costs are for loss of earnings, labour market re-entry, future economic loss, health care, survivor benefits, retirement income benefits, and claim administration costs. The assumptions used for the determination of benefit liabilities were primarily based on the historical experience of the WSIB.

f) Expenses

Ratios of claim administration costs to the amounts of claims paid are used to estimate the future costs of claim administration for current claims. These ratios had been developed in analyzing claims administration and other claims related management costs for all cost centers at the WSIB by claim type, duration and amount.

Sensitivity of actuarial assumptions

Changes in the actuarial assumptions used have a significant effect on the benefit costs recognized. The following provides an estimate of the potential impact of a change in the more significant assumptions:

	Increase in benefit costs
Change in assumption	**2014**
100 basis point decrease in the discount rate	2,706
100 basis point increase in the inflation rate:	
Impact of benefit indexation rate	804
Impact of wage growth	441
Impact of health care cost escalation	529

Claims development

Benefit liabilities include the current estimate of future payments related to claims incurred during 2014 and prior years. Each reporting period, benefit liabilities are adjusted for changes in the estimate of the future payments, and the change in estimate is recognized in benefit costs. The table below provides the development of the estimates related to claims incurred from 2006 – 2014.

					Year of injury					
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**Total**
Year of estimate										
2006	2,353									
2007	2,606	2,488								
2008	2,675	2,458	2,393							
2009	2,984	2,786	2,620	2,164						
2010	3,091	3,105	3,052	2,418	2,361					
2011	3,231	3,286	3,065	2,207	2,744	2,760				
2012	3,245	3,423	3,241	2,518	2,270	2,363	2,815			
2013	3,153	3,135	3,077	2,340	2,065	2,019	2,274	2,627		
2014	3,093	3,094	2,794	2,270	1,955	1,897	2,000	2,296	2,453	
Current estimate of cumulative claims costs	3,093	3,094	2,794	2,270	1,955	1,897	2,000	2,296	2,453	21,852
Cumulative payments made	(1,532)	(1,447)	(1,242)	(780)	(566)	(454)	(401)	(334)	(167)	(6,923)
Outstanding claims (undiscounted)	1,561	1,647	1,552	1,490	1,389	1,443	1,599	1,962	2,286	14,929
Effect of discounting	(661)	(708)	(685)	(679)	(664)	(709)	(795)	(973)	(1,051)	(6,925)
Discounted outstanding claims	900	939	867	811	725	734	804	989	1,235	8,004
Discounted outstanding claims prior to 2006 injury year										15,762
Claim administration costs										1,148
Long latency occupational diseases										1,886
Total outstanding claims										**26,800**

Rate setting

In accordance with the WSIA, the WSIB's obligations are satisfied by charging annual premiums to all Schedule 1 employers and investment income. The premiums are determined based on a percentage of insurable earnings of each Schedule 1 employer. Schedule 1 employers are classified within specific rate groups, which are based on the nature of the employer's business. The premium rate applicable to particular rate groups and Schedule 1 employers within that group is determined as the sum of four main components:

a) the cost of new claims, which is based on the expected number of claims and benefit payment costs of that rate group;

b) administration costs, which are based on the rate group's share of expected administration costs and legislative obligations of the WSIB;

c) the cost of old claims, which is based on the amortization of the shortfall between the costs of old claims and the accumulated assets supporting those claims; and

d) experience rating, which, depending on the size and class of the employer, is based on relative historical cost performance of the employer relative to other employers in the same rate group.

Concentration of risks

The WSIB provides workplace injury insurance for all Schedule 1 employers with workers in the Province. In this respect, the WSIB's risk is concentrated among the workplace risks associated with the various industries in the Province. The insurable earnings by industry for the year ended December 31, 2014 is provided below.

Industry	Insurable earnings	% of total
Agriculture	2,022	1.2%
Automotive	7,288	4.1%
Construction	19,601	11.1%
Education	6,940	3.9%
Electrical	5,446	3.1%
Food	4,935	2.8%
Forestry	417	0.2%
Health care	23,108	13.1%
Manufacturing	37,723	21.4%
Mining	1,967	1.1%
Municipal	2,131	1.2%
Primary metals	1,685	1.0%
Process and chemicals	4,512	2.6%
Pulp and paper	736	0.4%
Services	47,638	27.0%
Transportation	10,187	5.8%
Total	**176,336**	**100.0%**

In addition, the WSIB's risks are concentrated among the workplace injuries and diseases that result in disabilities or deaths to injured workers. The WSIA does not provide the WSIB with the ability to diversify away from these risks. Additional risks can arise from appeals or legislative changes, which can produce an immediate increase in benefit liabilities.

Premium rates are the only means to mitigate these risks, other than investment income. Premium rates are adjusted annually as benefit liabilities and risks are reviewed and then differentiated by rate group in order to reflect the higher or lower expected costs and loss frequency associated with particular rate groups. In addition, the rates charged to larger employers in the same rate group are further adjusted based on the historical claims experience of that employer relative to the rate group as a whole.

Liquidity of benefit liabilities risks

The following table provides an estimate of the expected timing of undiscounted cash flows for benefit payments for claims:

	2014	2013
Up to one year	5%	5%
Over one year and up to five years	18%	18%
Over five years and up to ten years	19%	19%
Over ten years and up to fifteen years	15%	16%
Over fifteen years	43%	42%
	100%	**100%**

20. Commitments and Contingent Liabilities

Operating leases

The WSIB is the lessee to a number of operating leases for office space and computer equipment, with lease terms up to 10 years.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Minimum lease payments
Not later than one year	15
Later than one year and not later than five years	38
Later than five years	30
	83

During the year ended December 31, 2014, operating lease payments of $15 (2013 – $14) were recognized in administration and other expenses. The payments included charges for operating expenses related to the leases of office space and other items.

Investment commitments

The WSIB had the following commitments related to its investment portfolio:

	2014	2013
Real estate, multi-asset and infrastructure investments	948	606
Investments in associates and joint ventures	127	198
Purchases or development of investment properties	8	197
	1,083	**1,001**

Legislated obligations and funding commitments

Known commitments related to legislated obligations and funding commitments as at December 31, 2014 were approximately $251 for 2015 (2013 – $254 for 2014).

Other commitments

At December 31, 2014, the WSIB has additional commitments going forward under non-cancellable contracts for purchases of goods and services with minimum future payments of approximately $113 (2013 – $149).

Legal actions

The WSIB is engaged in various legal proceedings and claims that have arisen in the ordinary course of business, the outcome of which is subject to future resolution. Based on information currently known to the WSIB, management believes the probable ultimate resolution of all existing legal proceedings and claims will not have a material effect on the WSIB's financial position.

The WSIB has provided formal written indemnities to its current and former directors to indemnify them, to the extent permitted by law, against any and all charges, costs, expenses, and amounts paid in settlement and damages incurred as a result of any lawsuit or any other judicial, administrative or investigative proceeding in which they are involved as a result of their services.

Additionally, the WSIB has purchased directors' and officers' liability insurance. The WSIB also indemnifies and provides legal representation to all its employees, former employees and persons engaged by the WSIB to conduct an examination, test, enquiry or other authorized function in legal proceedings arising out of alleged acts or omissions in the performance of their duties, provided the person has acted honestly and in good faith.

Also, in the normal course of operations, the WSIB may enter into contractual arrangements with external parties that involve promises to indemnify the other party under certain circumstances. As part of its investment function, the WSIB may also provide indemnification agreements to counterparties that would require the WSIB to compensate them for costs incurred as a result of changes in laws and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnification arrangements vary.

21. Fair Value Measurement and Disclosures

Estimates of fair value used for measurement and disclosure are designed to approximate amounts that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants.

Assets / Liabilities	Fair value measurement
Cash and cash equivalents, public equity securities, bonds, alternative investments, derivative assets and derivative liabilities	Measured at fair value in the consolidated statements of financial position.
Receivables, payables and accruals	Measured at amortized cost in the consolidated statements of financial position. Due to the short-term nature of these financial assets and financial liabilities, the carrying amount approximates fair value.
Investment properties	Measured at fair value in the consolidated statements of financial position.
Long-term debt	Measured at amortized cost in the consolidated statements of financial position. Fair value at December 31, 2014 was $64 (carrying amount – $52). Fair value at December 31, 2013 was $148 (carrying amount – $136).

Due to the estimation process and the need to use judgment, the aggregate fair value amounts may not be realizable in settlement of assets or liabilities.

Fair value hierarchy

The WSIB uses a fair value hierarchy to categorize the inputs used in valuation techniques to estimate the fair values of assets and liabilities.

The classifications are as follows:

a) the use of quoted market prices for identical assets or liabilities (Level 1);

b) valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable (Level 2); and

c) valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable (Level 3).

Measurements of the fair value of an asset or liability may use multiple inputs that are categorized in different levels of the fair value hierarchy. In these cases, the asset or liability is classified in the hierarchy level of the lowest level input that is significant to the measurement.

During the years ended December 31, 2014 and December 31, 2013, there were no changes in the levels of classification of financial instruments. Transfers between levels within the hierarchy are recognized at the end of the reporting period.

The following table provides the fair value hierarchy classifications for assets and liabilities:

	December 31, 2014				December 31, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets and liabilities measured at fair value								
Cash and cash equivalents	658	815	-	1,473	747	527	-	1,274
Public equity securities	9,097	39	-	9,136	8,392	36	-	8,428
Bonds	-	6,307	-	6,307	-	5,448	-	5,448
Alternative investments	-	4,867	372	5,239	-	4,218	371	4,589
Investment properties	-	-	1,194	1,194	-	-	970	970
Derivative assets	-	158	-	158	-	37	-	37
Derivative liabilities	-	(97)	-	(97)	-	(78)	-	(78)
Liabilities for which fair value is disclosed								
Long-term debt	-	(64)	-	(64)	-	(148)	-	(148)

The table below provides a general description of the valuation methods used for fair value measurements.

Hierarchy level	**Valuation method**
Level 1	Fair value is measured as the closing bid price for identical assets in an active public market at the reporting date.
Level 2	Where bid prices in an active public market are not available, observable inputs are used to estimate fair value using a market approach or an income approach. When using a market approach, fair value is estimated by adjusting the market price of a similar asset or liability, using inputs such as quoted interest or currency rates. Estimated fair value using an income approach is based on fixed future cash flows discounted using market interest rates for similar assets or liabilities.
Level 3	*Alternative investments* The fair value of alternative investments in real estate entities is estimated using valuations of the underlying investment properties, with the same methods as noted below for investment properties. *Investment properties* Fair values of investment properties are estimated based on valuations performed by qualified appraisers. The valuations of the investment properties are primarily based on discounted expected future cash flows of each property, using discount and terminal capitalization rates reflective of the characteristics, location and market of the property. The future cash flows are based on, among other things, rental income from current leases and assumptions about rental income from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. At least one valuation per year for each property is based on an independent appraisal.

Alternative investments in real estate entities (level 3 fair value measurements)

The table below provides a reconciliation of the fair value of alternative investments in real estate entities:

	2014	2013
Balance at beginning of year	371	356
Purchases	3	3
Sales	(8)	(1)
Realized gains recognized in net investment income	2	-
Unrealized gains recognized in net investment income	4	13
Balance at end of year (note 10)	**372**	**371**

The following discount and terminal capitalization rates were used in the discounted cash flow estimates of fair value:

	2014	2013
Real estate entities		
Discount rates	5.5% - 8.3%	5.5% - 8.5%
Terminal capitalization rates	4.8% - 7.8%	4.8% - 7.8%

The WSIB has estimated that a 50 basis point increase in the assumptions used for both the terminal capitalization rate and discount rate would result in a $37 decrease (2013 – $40) in the fair value of the real estate entities. A 50 basis point decrease in the assumptions used for both the terminal capitalization rate and discount rate would result in an estimated $43 increase (2013 – $45) in the fair value of the real estate entities. The WSIB has also estimated that a five percent increase (decrease) in the expected future cash flows of the underlying properties would result in a $21 (2013 – $21) increase (decrease) in the fair value of the real estate entities.

Investment properties (level 3 fair value measurements)

Note 12 provides a reconciliation of the fair value of investment properties.

The following discount and terminal capitalization rates were used in the discounted cash flow estimates of fair value:

	2014	2013
Office properties		
Discount rates	6.5% - 8.3%	6.5% - 8.0%
Terminal capitalization rates	5.8% - 7.3%	5.8% - 7.0%
Industrial properties		
Discount rates	6.0% - 8.0%	6.0% - 8.0%
Terminal capitalization rates	5.0% - 7.5%	5.0% - 7.3%
Retail properties		
Discount rates	6.3% - 8.0%	7.3% - 8.0%
Terminal capitalization rates	5.8% - 6.5%	6.0% - 6.5%

The WSIB has estimated that a 50 basis point increase in the assumptions used for both the terminal capitalization rate and discount rate would result in a $88 (2013 – $69) decrease in the fair value of the investment properties. A 50 basis point decrease in the assumptions used for both the terminal capitalization rate and discount rate would result in an estimated $103 (2013 – $82) increase in the fair value of the investment properties. The WSIB has also estimated that a five percent increase (decrease) in the stabilized net operating income or expected future cash flows would result in a $54 (2013 – $44) increase (decrease) in the fair value of the investment properties.

22. Funding and Capital Management

As the trust agency for administering the Province's compensation system, the WSIB's capital management objective is to ensure sufficient funding to provide compensation and other benefits to workers and to the survivors of deceased workers. The WSIA requires the WSIB to make payments for current benefits as they come due and to provide for future benefits. Further, the WSIA requires the WSIB to maintain sufficient funding so as not to burden unduly or unfairly any class of Schedule 1 employers with payments, in any year in respect of current benefits, or in future years in respect of future benefits.

The capital resources available to the WSIB are comprised of its total assets less total liabilities, excluding those attributable to non-controlling interests. At December 31, 2014, the WSIB's capital is represented by the unfunded liability attributable to WSIB stakeholders of $7,890 (2013 – $10,467).

Ontario Regulation 141/12 ("Regulation 141"), which came into force January 1, 2013, requires the WSIB to meet prescribed Sufficiency Ratios by certain dates over the next 15 years. This regulation was amended by *Ontario Regulation 338/13* ("Regulation 338"), which came into force January 1, 2014 and further clarifies the measurement of assets and liabilities included in the Sufficiency Ratio. The Sufficiency Ratio is calculated by comparing total assets to total liabilities, with certain assets and liabilities measured on a different basis than that required under IFRS. The WSIB is required to meet the following Sufficiency Ratios, as defined by regulation:

December 31, 2017	60%
December 31, 2022	80%
December 31, 2027	100%

On August 8, 2013, the Minister of Labour (the "Minister") formally accepted the WSIB's Sufficiency Plan describing the measures being taken by the WSIB to improve the Sufficiency Ratio and how these measures will achieve the prescribed targets. The WSIB prepares a quarterly Sufficiency Report to Stakeholders to report on its progress towards meeting the legislated funding requirements.

As at December 31, 2014, the Sufficiency Ratio, as defined in Regulation 141 and amended by Regulation 338, was 71.6% (2013 – 63.6%).

23. Financial Risk Management

The WSIB is exposed to a number of risks and uncertainties related to its financial instruments and benefit liabilities. In order to mitigate these risks, the WSIB employs a broad and diversified set of risk mitigation policies and techniques.

Liquidity risk

Liquidity risk, or funding risk, is the risk the WSIB will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The WSIB mitigates this risk by ensuring the majority of its investment portfolio is invested in well established, active and liquid markets. As at December 31, 2014, 68.0% (2013 – 67.0%) of the investment portfolio was invested in readily marketable fixed income securities and publicly traded equities. Note 10 provides further information on the nature of the assets within the investment portfolio.

The following provides the carrying values of all financial instruments by contractual maturity or expected cash flow:

	Within 1 year	2 - 5 years	6 - 10 years	Over 10 years	No fixed maturity	2014	2013
Cash and cash equivalents	1,473	-	-	-	-	1,473	1,274
Receivables	1,511	-	-	-	-	1,511	1,339
Public equity securities	-	-	-	-	9,136	9,136	8,428
Bonds	13	2,457	1,755	2,054	28	6,307	5,448
Alternative investments	-	-	-	-	5,239	5,239	4,589
Derivative assets	158	-	-	-	-	158	37
Payables and accruals	(1,186)	-	-	-	-	(1,186)	(1,122)
Derivative liabilities	(97)	-	-	-	-	(97)	(78)
Long-term debt		(8)	(6)	(38)	-	(52)	(136)

The WSIB maintains a $150 unsecured line of credit with a commercial bank for general corporate purposes.

Credit risk

Credit risk is the risk a borrower or counterparty will fail to discharge an obligation and cause the WSIB to incur a financial loss.

a) Bonds

The WSIB's fixed income securities consist primarily of high quality, investment grade debt instruments. An investment grade debt instrument is one that is rated BBB and above. The WSIB manages its credit risk through diversification and a due diligence process, by selecting multiple highly rated counterparties and by setting counterparty exposure limits.

The following provides information regarding the credit rating of the WSIB's bonds:

	2014		2013	
AAA	2,311	36.7%	2,074	38.1%
AA	1,812	28.7%	1,570	28.8%
A	1,832	29.0%	1,465	26.9%
BBB	351	5.6%	338	6.2%
BB	1	- %	1	- %
	6,307	**100.0%**	**5,448**	**100.0%**

The following provides further information regarding the maximum credit exposure of bonds:

	2014	2013
Canadian bonds	5,917	5,042
United States bonds	249	183
Global bonds	141	223
	6,307	**5,448**

Credit risk associated with bonds also includes concentration risk. Concentration risk arises from the exposure of investments from one particular issuer, a group of issuers, a geographic region, or an industry sector. These groups share similar characteristics such as type of industry, regulatory compliance, and economic and political conditions, which may impact the issuers' ability to meet their contractual commitments.

The WSIB manages concentration risk through limits on exposure to issuers, regions and industry sectors. Through these limits, not more than five percent of the fair value of the investment portfolio is invested in the securities of a single non-government issuer.

The following provides information regarding the concentration of bonds.

	2014		2013	
Provincial and municipal	3,198	50.7%	2,572	47.2%
Federal government and agencies	1,672	26.5%	1,515	27.8%
Financial services	595	9.4%	623	11.4%
Utilities and telecommunications	380	6.0%	315	5.8%
Other corporate	163	2.6%	147	2.7%
Natural resources	105	1.7%	92	1.7%
Real estate	69	1.1%	51	0.9%
Consumer products and merchandising	65	1.0%	76	1.4%
Asset-backed securities	31	0.5%	31	0.6%
Communications and publishing	24	0.4%	22	0.4%
Industrial products	5	0.1%	4	0.1%
	6,307	**100.0%**	**5,448**	**100.0%**

b) Securities lending program

The WSIB manages counterparty risk relating to its securities lending program by establishing a pre-approved, qualified borrower list and through exposure limits. Non-cash collateral, the fair value of which represents at least 102% of the fair value of the loaned securities, is maintained until the underlying securities have been returned to the WSIB. The collateral is comprised primarily of government bonds and major bank short-term notes The fair value of the loaned securities is monitored on a daily basis by an intermediary financial institution with additional collateral obtained or refunded as the fair value of the underlying securities fluctuates.

c) Accounts receivable from Schedule 2 employers

The WSIB administers the payment of the benefits for workers of Schedule 2 employers and recovers the cost of these benefits plus administration fees from the employers. At December 31, 2014, the WSIB held collateral in the form of letters of credit in the amount of $310 (2013 – $315) to mitigate any credit risk associated with Schedule 2 employers. These letters of credit are issued by highly rated Canadian financial institutions and can be drawn on demand.

Market risk

Market risk includes currency risk, interest rate risk and price risk.

a) Currency risk

Currency risk is the risk of loss due to adverse movements in foreign currency rates as compared to the Canadian dollar. The WSIB is exposed to a number of foreign currencies in its investment portfolio. The WSIB also uses foreign exchange contracts as an additional source of return, for economic hedging strategies to manage investment risk, to improve liquidity, or to manage exposure to asset classes or strategies. Foreign exchange contracts are agreements to exchange an amount of one currency for another at a future date and at a set price, agreed upon at the contract inception.

The WSIB has a currency hedging policy which is reviewed and approved on an annual basis by the Investment Committee. The currency hedging policy provides guidelines about hedging currencies, hedging instruments, rebalancing frequency and overall currency hedging controls and process. To manage the currency risk, the WSIB monitors closely the currency exposure and has established a currency hedge rebalancing guideline. The policy specifies, among other operational matters, the rebalance frequency and the threshold of hedge ratio deviation that will trigger a rebalancing transaction.

The following provides a sensitivity analysis of the effect of a one percent increase or decrease in the Canadian dollar compared to the five foreign currencies that represent 82% (2013 – 85%) of the WSIB's foreign currency exposure in its investment portfolio:

Currency	**Total exposure**	**Effect of 1% change**
United States dollar	3,684	37
Euro	511	5
Hong Kong dollar	302	3
British Pound sterling	291	3
Japanese yen	182	2
	4,970	**50**

b) Interest rate risk

Interest rate risk is the potential for financial loss arising from changes in interest rates. The WSIB reviews interest rate risk through periodic analyses that assess the impact of different interest rate scenarios on its assets and liabilities over a period of time. Interest rate risk is mitigated over the long-term primarily through asset allocation.

The WSIB uses option adjusted modified duration to measure the sensitivity of the fair value of bonds to a change in interest rates. A parallel shift in the yield curve of one percent, with all other variables held constant, would result in an increase or decrease in the fair value of investments of approximately $873 (2013 – $677). This information is based on the assumption that the investments are not impaired and interest rates and equity prices move independently.

c) Price risk

Price risk is the risk the value of an equity security will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument, specific to its issuer, or affecting all instruments traded in the market.

The WSIB mitigates price risk by diversifying its investment portfolio in accordance with its investment policies. The investment policies establish the policies governing the WSIB investment portfolio, and is reviewed by the Board of Directors on no less than an annual basis and amended as required. The investment policies require that the WSIB's investment portfolio be diversified across certain asset classes and investment strategies.

The estimated effect on the fair value of public equity securities resulting from a 10% change in market prices, holding all other factors constant, is $914 (2013 – $910).

Benefit liabilities

Benefit liabilities represent the actuarially determined present value of future payments for reported and unreported claims related to workers of Schedule 1 employers incurred on or prior to the reporting date. Benefit liabilities do not represent an exact calculation of liability, but instead represent estimates at a given point in time involving actuarial and statistical projections of the WSIB's expectations of the ultimate settlement and administration costs of claims incurred. Establishing an appropriate level of benefit liabilities is an inherently uncertain process.

The WSIB is exposed to the risk that the actual obligations for benefit payments exceed its estimate of benefit liabilities. Benefit liabilities are influenced by factors such as the discount rate used to value future claims, expected inflation, availability, utilization and cost of health care services, injury severity and duration, availability of return-to-work programs and re-employment opportunities at pre-injury employers, wage growth, new medical findings that affect the recognition of occupational diseases, legislated changes to benefit rates or modification of the recognition of workplace injuries, which are sometimes applied retroactively, and precedents established through various claims appeals processes.

The WSIB mitigates these risks by utilizing both proprietary and commercially available actuarial models, assessing historical loss development patterns in addition to augmenting its resources with the recruitment of a Chief Statistician and the formation of an Actuarial Advisory Board consisting of individuals with expertise in the area of actuarial science and economics specifically related to worker compensation matters.

Note 19 provides further information regarding the nature of benefit liabilities.

24. Related Party Transactions

Government of Ontario and related entities

The WSIB is a trust agency of the Government of Ontario, responsible for administering the WSIA. As such, the WSIB is considered a government-related entity and is provided partial exemptions under IFRS from its disclosure of transactions with the Government of Ontario and its controlled ministries, agencies, and Crown corporations.

Pursuant to the WSIA, the WSIB is required to reimburse the Government of Ontario for all administrative costs of the OHSA. The WSIB is also required to fund costs associated with the MoL's prevention activities, the Workplace Safety and Insurance Appeals Tribunal and the offices of each of the Worker and Employer Adviser. These reimbursements and associated amounts charged to employers are determined and approved by the Minister. The WSIB is also committed to providing funding for the Institute for Work & Health and the Safe Workplace Associations, clinics and training centres. The total funding provided under these legislated obligations and funding commitments for the year ended December 31, 2014 was $245 (2013 – $236).

The WSIB is required to reimburse the Ministry of Health and Long-Term Care ("MOHLTC") for physicians' fees for services to injured workers, as well as an administrative fee to the MOHLTC. Amounts paid to the MOHLTC for physicians' fees and administrative services for the year ended December 31, 2014 were $ 37 (2013 - $38).

In addition to legislated obligations and workplace health and safety expenses, which the WSIB collectively presents in legislated obligations and funding commitments expense, the consolidated financial statements include amounts resulting from transactions conducted in the normal course of operations with various controlled ministries, agencies and Crown corporations of the Government of Ontario.

Included in investments are $1,394 of marketable fixed income securities issued by the Government of Ontario and related entities (2013 – $1,083).

Key management remuneration

The remuneration of key management, which includes the Board of Directors, is included in administration and other expenses.

	2014	**2013**
Salaries and short-term benefits	3.0	2.7
Long-term employee benefit plans	0.3	0.2
	3.3	**2.9**

Post-employment benefit plans

The WSIB's two employee defined benefit pension plans and other long-term employee benefit plans are considered related parties. Note 18 provides details of transactions with these post-employment benefit plans.

25. Interests in Other Entities

Interests in subsidiaries

The WSIB's consolidated financial statements include the financial statements of all its subsidiaries.

a) Directly owned subsidiaries

The WSIB's invested assets are held directly or indirectly by the following subsidiaries:

	WSIB's ownership		Country of incorporation and operation
	2014	**2013**	
Wholly owned subsidiary			
799549 Ontario Inc.	100.0%	100.0%	Canada
Partly-owned subsidiaries ("Investment Pools")			
Absolute Return (2012) Pooled Fund Trust	90.3%	88.4%	Canada
Diversified Markets (2010) Pooled Fund Trust	90.1%	88.8%	Canada
Diversified Markets (2009) Pooled Fund Trust	88.9%	88.8%	Canada
WSIB Investments (Fixed Income) Pooled Fund Trust	89.4%	88.9%	Canada
WSIB Investments (Infrastructure) Pooled Fund Trust	88.1%	88.1%	Canada
WSIB Investments (Public Equities) Pooled Fund Trust	88.8%	88.9%	Canada
WSIB Investments (Realty) Limited	88.2%	87.9%	Canada
WSIB Investments (Total Return) Pooled Fund Trust	89.1%	88.3%	Canada

The WSIB Employees' Pension Plan is the non-controlling interest in each of the Investment Pools listed above; its non-controlling ownership ranges from 9.7% – 11.9%. The following provides aggregated summary financial information for the Investment Pools, before intercompany eliminations:

Summary information from statements of financial position	2014	2013
Total assets	23,748	20,774
Total liabilities	(233)	(199)
Surplus of assets	**23,515**	**20,575**
Attributable to the WSIB Employees' Pension Plan	**2,551**	**2,313**

Summary information from statements of comprehensive income	2014	2013
Investment income	2,217	2,325
Investment expenses	(73)	(62)
Net investment income, net income and comprehensive income	**2,144**	**2,263**
Attributable to the WSIB Employees' Pension Plan	**237**	**258**

Details of the nature of investments held by the Investment Pools are included in note 10.

b) Other subsidiaries

WSIB Investments (Realty) Limited and WSIB Investments (Infrastructure) Pooled Fund Trust hold invested assets in a number of wholly and partly-owned subsidiaries. The WSIB's consolidated financial statements include the financial statements of these subsidiaries.

The surplus of assets of WSIB Investments (Realty) Limited that is attributable to non-controlling interests at December 31, 2014 is $93 (2013 – $81).

c) Reconciliation of non-controlling interests

The following provides a reconciliation of the unfunded liability attributable to WSIB stakeholders and non-controlling interests, including the effect of changes in ownership:

	Unfunded liability attributable to WSIB stakeholders	**Non-controlling interests**		
		Investment Pools	**Other subsidiaries**	**Total**
Balance at December 31, 2012 (restated)[1]	(13,930)	2,054	49	2,103
Total comprehensive income	3,463	258	6	264
Acquisition of businesses with non-controlling interests (note 12)	-	-	22	22
Distributions paid by subsidiaries to non-controlling interests	-	(109)	(3)	(112)
Disposition of non-controlling interests[2]	-	110	7	117
Balance at December 31, 2013 (restated)[1]	(10,467)	2,313	81	2,394
Total comprehensive income	2,577	237	5	242
Distributions paid by subsidiaries to non-controlling interests	-	(146)	(3)	(149)
Disposition of non-controlling interests[2]	-	147	10	157
Balance at December 31, 2014	**(7,890)**	**2,551**	**93**	**2,644**

1. Certain amounts shown do not correspond to the 2013 financial statements and reflect adjustments made. Refer to note 26.
2. Disposition of non-controlling interests represent net contributions by non-controlling interests and resulted in changes in the WSIB's ownership share in the Investment Pools; however, there was no effect on the unfunded liability attributable to WSIB stakeholders. The net contributions by non-controlling interests in other subsidiaries did not result in any changes in the WSIB's ownership share.

Interests in associates

WSIB Investments (Realty) Limited holds invested assets in a number of associates. The WSIB's investments in associates are accounted for in the consolidated financial statements using the equity method; investments are initially recognized at cost and adjusted for the WSIB's proportionate share of the associates' comprehensive income.

Summary financial information for these associates in aggregate is provided in note 11.

Interests in joint ventures

WSIB Investments (Realty) Limited and WSIB Investments (Infrastructure) Pooled Fund Trust hold invested assets in a number of joint ventures. The WSIB's investments in joint ventures are accounted for in the consolidated financial statements using the equity method; investments are initially recognized at cost and adjusted for the WSIB's proportionate share of the joint ventures' comprehensive income.

Summary financial information for the joint ventures in aggregate is provided in note 11.

Interests in joint operations

799549 Ontario Inc. and WSIB Investments (Realty) Limited hold invested assets in a number of joint operations. The WSIB's consolidated financial statements include its share of assets, liabilities, revenues and expenses related to the joint operations.

Summary financial information for the joint operations in aggregate is provided in note 13.

26. Correction of an Error

During 2016, management identified a recurring error impacting premium receivables and revenues in the cumulative amount of $208. The WSIB accrues premiums receivable that have not been reported by employers at the end of the reporting period. Allocation to the correct assessment year was not properly applied. Consequently, the WSIB has corrected the recurring error by reducing the unfunded liability as at January 1, 2013 by $131 and increasing premium receivables and revenues by $37 and $40 in 2014 and 2013, respectively.

Ontario's Workplace Safety and Insurance Board is one of the largest insurance organizations in North America. Our 4,000 dedicated employees provide workplace injury insurance for five million workers and over 290,000 employers. For more information please visit the WSIB website (www.wsib.on.ca), or phone 416-344-4185 or (toll-free) 1-800-387-5540, ext. 4185.

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